

# Herald Tribune

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## Pointing the Finger in Germany's Ugly Corporate Melodrama

By Alan Friedman

VIENNA — Deutsche Bank, the leading creditor and a major shareholder of Germany's troubled Metallgesellschaft AG, actively promoted the oil futures business in spring 1993 that later in the year brought the company to the brink of bankruptcy, according to Heinz Schimmelbusch, who was dismissed as the company's chief executive last December.

Mr. Schimmelbusch, breaking his silence for the first time since he was dismissed, contended in an interview here that Metallgesellschaft had been encouraged by Deutsche Bank last spring to jointly market the oil-hedging program to a dozen industrial clients of the bank. Documents obtained by the International Herald Tribune indicate that Deutsche Bank board members were first briefed on the oil-hedging business in November 1992 and that the bank and the company's New York-based energy subsidiary planned jointly to market the program.

It was the discovery of a liquidity crisis at the New York business, MG Corp., early in December that led to Mr. Schimmelbusch's dismissal by Ronald Schmitz, the Deutsche Bank director who is head of Metallgesellschaft's supervisory board. Mr. Schimmelbusch was dismissed

along with five other Metallgesellschaft executives for allegedly failing to keep the supervisory board informed of the oil-related problems, an accusation he denies. Metallgesellschaft, a conglomerate of more than 250 metals, trading and engineering businesses, is one of Germany's biggest companies with annual revenue of about 25 billion Deutsche marks (\$14.7 billion).

The story of Metallgesellschaft's near insolvency has grown into an ugly corporate melodrama, pitting one of Germany's best-known executives against Europe's most powerful bank.

On Thursday, Mr. Schmitz, addressing a special meeting of Metallgesellschaft shareholders in Frankfurt, launched a blistering attack on Mr. Schimmelbusch, accusing him of responsibility for the company's brush with bankruptcy and saying he had failed to keep the supervisory board informed of events that led to an oil futures trading loss of 2.3 billion marks. Mr. Schmitz specifically played down the significance of Deutsche Bank's cooperation with MG Corp. on energy-related hedging products.

Using language rarely heard publicly in corporate Germany, Mr. Schmitz said the management led by Mr. Schimmelbusch "took actions which were so patently harmful to Metallgesellschaft that, in addition to the civil law penalties called for, penal measures would not come as

a surprise." Mr. Schimmelbusch, 49, who had a 20-year career at Metallgesellschaft, led the company for the last four years.

Numerous shareholders at the meeting nonetheless bombarded Mr. Schmitz with complaints and argued that the supervisory board should itself accept responsibility for the oil-hedging losses and resign. (Page 11)

Separately, Mr. Schimmelbusch and Meinhard Forster, the former chief financial officer of Metallgesellschaft, are being investigated by the Frankfurt prosecutor's office, which is acting on a shareholder complaint.

Mr. Schimmelbusch reacted to Mr. Schmitz's remarks by saying they were part of "an orchestrated attack on my credibility."

He said that "this attack will force me to defend my reputation in the courts."

During more than seven hours of conversations in Vienna from Tuesday to Thursday, Mr. Schimmelbusch stressed repeatedly that he contacted Mr. Schmitz as soon as he learned of the liquidity crisis in New York and sought a meeting to discuss the problem. Although Mr. Schimmelbusch did not suggest that Deutsche Bank's joint-marketing of the oil futures with MG Corp. had in any way caused the crisis, he insisted that Mr. Schmitz "should have been well aware of the risks."

He asserted that Mr. Schmitz "was fully informed, in absolute detail" of the specifics and the structure of the oil futures business.

"Schmitz and I discussed the New York oil operations, the strategy and liquidity issues a lot," he said, "and this was irrespective of the joint venture we had with Deutsche Bank to offer the bank's industrial clients risk-management programs in which Deutsche Bank would handle foreign exchange hedging and Metallgesellschaft would do the oil hedging."

He said Mr. Schmitz received a special presentation on the oil-hedging program from MG Corp. executives in New York last July 23. "That same month I even suggested to Mr. Schmitz that the New York energy-related trading business was too large and consumed too much cash, and that ideally we should look for a partner. He agreed," Mr. Schimmelbusch said.

Mr. Schmitz, in response to Mr. Schimmelbusch's allegations, told the International Herald Tribune in a statement: "I was not fully informed of the nature and structure of the oil futures business, and I did not discuss the New York oil operations, the strategy and liquidity issues as described by Mr. Schimmelbusch."

Speaking at Thursday's meeting, which was called to

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## Yeltsin Shifts Priority From Reform to Nationalism

In Key Kremlin Speech, He Appears to Reflect Conservative Concerns

By Fred Hiatt

Washington Post Service

MOSCOW — President Boris N. Yeltsin, in a major Kremlin address reflecting Russia's increasingly conservative and nationalist mood, shifted away from themes of democratization and human rights on Thursday and instead called for strengthening Russian statehood both at home and in foreign policy.

The president's address to a joint session of parliament, his first since radical reformers left his government, had been eagerly awaited for signs of Russia's future course. The paucity of detail in the 40-minute address left many questions open, but Mr. Yeltsin came down squarely for more assertiveness abroad and a softer approach to economic change.

The president called Russia the "guarantor of stability" throughout the former Soviet

A legal debate erupts over parliament's amnesty for anti-Yeltsin plotters. Page 2.

Union and said the fate of ethnic Russians living in neighboring countries was "our national affair." He warned East European countries not to join NATO without Russia. And he said Russia's foreign policy would be based on "the promotion of Russia's national interests."

"The principal method toward this goal is openness and cooperation," he said. "But Russia has the right to act firmly and toughly when necessary to defend its national interests."

Mr. Yeltsin did not mention the arrest this week of an alleged Russian mole high up in the Central Intelligence Agency. And he mentioned only obliquely the parliamentary vote on Wednesday to give amnesty to the anti-Yeltsin coup plotters of 1991 and 1993.

Russia's prosecutor-general seemed to indicate Thursday that he would free former Vice President Alexander V. Rutskoi and his confederates from jail once he receives the official notification of the State Duma's vote.

"Social reconciliation does not mean total forgiveness," Mr. Yeltsin said, in his only comment on Thursday that could be seen as related to the amnesty vote. "Mercy is only mercy if it does not counter law and norms of morality."

In domestic policy, Mr. Yeltsin said free-market reforms should continue, but taking into account "Russian specifics, the national character, the changing social interests and sentiments, and the psychology of Russians."

He called against "flagrant inequality" in Russia's emerging class structure, complained that people "who cheat and use violence are having a field day" and called for more targeted state support of Russian industry.

"The principle that only those who are able to survive will survive is ruinous," Mr. Yeltsin said, an indirect criticism of the radical economic reformers who had run his government for much of the last two years, bringing to Russia a fledgling free market but also much impoverishment.

He also called for emergency measures against crime and criminal groups, which he said were "trying to put a stranglehold on the country."

And in sharp contrast to some of his earlier

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## Rout in the Bond Markets Leaves 'Blood Everywhere'

Widespread Interest Rate Miscalculation

By Erik Ipsen

International Herald Tribune

LONDON — The world's bond traders have lost staggering sums in the last three weeks, the result of a terrible miscalculation of the direction of interest rates.

Following the Federal Reserve's decision three weeks ago to raise short-term interest rates in the United States, government bond prices have plummeted around the world.

"There is blood everywhere," said Gerard Lyons, chief economist at DKB International, a London bond firm.

Bond prices' headlong retreat, many analysts assert, has now carried away all before it, including logic. It has taken a sell-off that should have been confined to the United States, where interest rates are rising in the face of a buoyant economy, and made of it an international rout. Now economies like those in Europe, still firmly in the grip of recession, face the threat of rising long-term interest rates.

Analysts blame a volatile combination of greater leverage, plus far greater unanimity of sentiment, for making the bond markets the most traumatized of all financial markets in recent weeks. Especially when it came to Europe, investors from Boston to Barcelona were convinced that bond prices would rally on the back of falling long-term rates. As a result, many of even the most conservatively managed funds entered the New Year with unusually large bets on what was then viewed as a surefire winner.

In the past three weeks, many strategists have ventured out of their bunkers long enough to pronounce that things have gone far enough. Bond prices, they stressed, have been driven too low and as such represent excellent buying opportunities. Those who have followed that advice have been bludgeoned badly.

A strategist for a large international bank in London confessed that he, too, started the week convinced that the sell-off had gone too far and that a rally was imminent.

"We put our toes in the water and bought bonds on Wednesday and today we don't have any toes," he said.

On Thursday, in fact, the bond market's decline accelerated, helping to drag down both Wall Street and major European markets. The Dow Jones industrial index tumbled 51.78 points to close at 3,839.90, adding to the drop of 19.98 points recorded on Wednesday, while the stock markets in Frankfurt, Paris and London fell by even wider margins on Thursday.

Analysts increasingly blame speculators for turning a healthy correction in an overbought market into an absolute rout. Last year bond investors across the world racked up huge gains. For such investors as hedge funds, which feed on huge leverage and had bought as much as \$10 in bonds for every dollar they held in capital, the results were spectacular.

"Their success attracted a lot of new money," said one London bond trader. As funds flooded in the direction of the speculation, their bets grew even larger. This year, however, it has all come unstuck as falling bond prices have threatened to wipe out their gains and then some.

"I am sitting here with big positions and I do not know what to do," said one despondent London-based bond trader on Thursday as the slide of recent days became what some were calling a "panic."

Highly leveraged players are not a new phenomenon in the bond market. What is new today is both the size of the funds at their command and the sheer numbers of investors, See LOSSES, Page 12

## OLYMPIC PODIUM

### Skaters Are Hurt

Oksana Baiul, the world figure-skating champion who finished second to Nancy Kerrigan in the technical program, was hurt during practice and is a doubtful starter in the women's free skating final on Friday night.

The 16-year-old from Ukraine collided with Tanja Szewczenko, 16, of Germany as both were skating backward. Baiul suffered a gash in one leg from a skate blade, an injury that was not serious, but also hurt her back. Szewczenko, fifth in the technical program, was carried off the ice after Baiul's elbow slammed into her ribs, but the German team's doctor said she was not seriously injured and would skate on Friday night.

### Compagnoni Triumphs

Deborah Compagnoni of Italy, whose career was almost ended in the same event two years ago, when she tore up her left knee, won the women's giant slalom. One day after the closest Alpine race in Olympic history, Compagnoni easily beat the silver medalist, Martina Moril of Germany. Vreni Schneider of Switzerland got the bronze, her second medal of the Games.

### Di Centa Strikes Again

The Italian star of the Games — no, not Albert Tomba, but Manuela Di Centa — led from start to finish and beat Norway's Marit Wold by 16.2 seconds to win the women's 30-kilometer cross-country race. Di Centa has now won a medal in each of her five races in Lillehammer.

Lyubov Egorova of Russia, trying to win a record seventh Olympic gold medal, finished fifth; it was the first time she had failed to get a medal in 10 Olympic races. Marja-Liisa Kirvesniemi of Finland took the bronze.

Olympic report: Pages 27, 28 and 29



Tanja Szewczenko being helped up by Katarina Witt, left, and Chen Lu.

## The Serbs, Figuring the Odds, Appear Ready for Peace

By Roger Cohen

New York Times Service

PALE, Bosnia-Herzegovina — Radovan Karadzic, the leader of the Bosnian Serbs, put it bluntly: "We would rather drive Mercedeses than tanks."

After almost two years of war in Bosnia, it appears that the Bosnian Serbs — are actively pursuing a peace settlement in the conviction that Russia's new involvement in Balkan diplomacy can secure them a share of Bosnia that they could accept.

The momentum appears to arise from two factors: the crushing impact of international sanctions on Serbia, and a perception among Serbs that the Muslim-dominated Bosnian government may have less room for maneuver now

that Washington and Moscow have decided that a way must be found to end the war.

"The Muslims always thought the international community could fight their war for them," said Jovan Zamecica, foreign-policy aide to Mr. Karadzic.

"Now they have to deal with international pressure for the first time," he said. "They know an offensive could bring NATO intervention. And they know Russia will bring objectivity and balance to the peace talks."

With Russian troops now in Sarajevo as part

of the United Nations force, and with Russia's president, Boris N. Yeltsin, talking of new diplomatic measures, the Serbs' leaders say they feel their case is being recognized for the first time.

This case, in essence, is that international recognition of Bosnia-Herzegovina as an independent nation in April 1992 turned the Serbs of Bosnia, close to a third of the population, into a national minority under a fairly hostile government and left them no alternative but to fight.

Conversations with several officials here in Pale, the Bosnian Serbs' headquarters, suggest that the Serbs believe that the Geneva peace talks mediated by the United Nations and the European Union are now dead.

Instead, the Serbs say, new talks must be

called, perhaps an international conference mediated by Russia, the United States and the European Union.

"We need something larger than Geneva pretty soon, probably within a month, if we're to build the cease-fire in Sarajevo into a wider settlement," Mr. Zamecica said.

But it seems that the Serbs, who now hold 70 percent of Bosnia, are not prepared to go much beyond what they have already offered: shrinking their territorial holdings to about 50 percent of Bosnia to insure that the government gets about a third.

President Alija Izetbegovic has rejected this offer.

Both Slobodan Milosevic, the president of

See SERBS, Page 4

## China Vows to Terminate All Hong Kong Councils

By Kevin Murphy

International Herald Tribune

HONG KONG — Governor Chris Patten said Thursday that he would press ahead with his political program in spite of a new Chinese threat to dissolve Hong Kong's elected bodies when the British colony is turned over to Beijing in 1997.

China said Thursday that all local councils and the legislature would "definitely be terminated" when Hong Kong reverts to Chinese rule on July 1, 1997.

The Chinese also threatened not to cooperate on a new \$21 billion Hong Kong airport, now under construction. This appeared to be a return to a previous strategy of linking the political dispute to the colony's economy.

The Hong Kong stock market's key Hang Seng Index fell 331 points, or about 3 percent, following reports of Beijing's hard-line stance.

Late Wednesday, Hong Kong lawmakers approved the first of a two-stage legislative package that ultimately aims to increase the number of voters in 1995 elections, the last to be organized under British rule.

"The door to negotiations on Hong Kong's future has now been closed by the British side," said Sheng Guoteng, a spokesman for China's Foreign Ministry.

Mr. Sheng said the unilateral move on political reforms "fully shows the British side has no sincerity in resolving the Hong Kong issue and is bent on moving further ahead on the wrong track."

China asserts that Britain's proposals violate agreements on Hong Kong's future administration.

Mr. Patten on Thursday praised the Legislative Council's support of his first proposals and said he would offer a bill containing the rest of them on Friday. He hopes to see the entire slate of measures enacted by July.

"We stand willing and able to work together with China in Hong Kong's interest on other matters," Mr. Patten said, "even if on this admittedly important one it has unfortunately not proved possible to do so."

Legislators who oppose adoption of electoral plans that do not have China's blessing questioned the wisdom of enacting such policies.

On Thursday, the Hong Kong government released a British government report containing its version of the dispute with Beijing that first surfaced in October 1992 and now threatens British business interests in China.

The document justified a course that guaranteed confrontation with China by stating that several features of an electoral system endorsed by Beijing would leave a democratic process open to manipulation.

Foreign Minister Douglas Hurd of Britain said: "Our proposals, even after substantial revisions in an effort to meet Chinese concerns, would produce electoral arrangements which were fair, open and, in our judgment, acceptable to the people of Hong Kong."

He said that Chinese proposals on the election issue, offered during eight months of negotiations in Beijing, did not meet those standards.

## In Spy Case, the Arrests Came Too Soon

By R. Jeffrey Smith and Michael Isikoff

Washington Post Service

WASHINGTON — The trail that led to the arrest of the CIA officer Aldrich Hazen Ames began in 1987 with unexplained disappearances or deaths of U.S. agents overseas, but a seven-year investigation failed to produce all the incriminating evidence officials had hoped to get, according to government sources.

Mr. Ames, 52, was arrested at his Arlington, Virginia, house Monday night before the investigation was complete, primarily because officials feared he might flee on a forthcoming assignment overseas, the sources said. Investigators had ample evidence to support his arrest but only a partial picture of the scope of his alleged espionage for Moscow.

U.S. officials said they assumed that Mr. Ames passed along virtually everything he knew about matters for which he was directly responsible between 1985 and 1991, including most of the CIA's efforts to recruit spies in the Soviet Union, its successor states and Eastern Europe. But the government is still trying to determine what he also may have passed along about other matters, such as U.S. spy satellite operations, eavesdropping and general espionage procedures.

A measure of what the government does not know can be found in the Clinton administration's request this week that Moscow "explain" what it learned from Mr. Ames. Also, the director of central intelligence, R. James Woolsey Jr., on Wednesday urged CIA employees with knowledge of Mr. Ames' activities at the agency to cooperate with the continuing investigation.

Officials privy to information about the in-

vestigation said the FBI had wanted to obtain evidence linking Mr. Ames directly with his alleged Russian handlers, such as a photograph depicting him at a meeting with a known Russian intelligence agent. But investigators were able to amass only evidence of his planning for such meetings or discussing them with his wife, as well as samples of secret messages he drafted and evidence that he used a series of drop points to pass secrets or collect payments.

Mr. Ames, a 32-year veteran at the agency, was arrested with his wife and charged with

turning over to Moscow top secret documents and information in return for payments that totaled more than \$1.5 million between 1985 and 1993. During this period, he recruited and managed foreign agents in Washington and at least three foreign nations and worked in the CIA's directorate of operations responsible for key counterintelligence activities.

Investigators have been investigating Mr. Ames roughly since 1991, when he and other officials under suspicion were deliberately transferred out of the Soviet/East European branch of the operations directorate to less sensitive assignments. But Washington's first worries that vital U.S. secrets were being passed to Moscow by a mole in the intelligence community began in 1987, officials said.

The evidence was initially circumstantial. A series of botched spy operations in the Soviet Union left intelligence managers scratching their heads.

Ten U.S. spies — eight working for the CIA and two for the FBI — were exposed and executed in the mid-to-late 1980s, one law enforcement official said. An unspecified number of other "people who were cooperating suddenly stopped cooperating," said an intelligence source. At least 10 major U.S. espionage opera-

See SPY, Page 4

## Kiosk

### Muslims, Croats To Meet in U.S.

WASHINGTON (Reuters) — Bosnian Muslims and Croats and Croatian government officials will meet in Washington this weekend for talks aimed at forming a unified bi-national Bosnian state, a senior State Department official said Thursday. In a striking turnaround, Bosnian Croat leaders this week raised the idea of confederation with Muslims.

Related articles, Page 2.

Book Review Page 7.

Dow Jones		Trib Index	
Down	51.78	Down	0.73%
	3,839.90		114.78
The Dollar			
New York	Thurs. close	previous close	
DM	1.7169	1.7288	
Yen	1.485	1.4785	
FF	104.90	105.705	
	5.833	5.8718	

Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 60 L Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Armenia.....1.40 CFA	Qatar.....3.00 Rials
Bahamas.....1.20 CFA	Reunion.....11.20 FF
Belize.....1.20 CFA	Saudi Arabia 3.00 R
Bolivia.....9.00 FF	Senegal.....960 CFA
Brazil.....300 CFA	Spain.....200 PTAS
Bulgaria.....300 Dr	Tunisia.....1,000 Dir
Cameroon.....1.20 CFA	Turkey.....T.L. 15,000
Canada.....7 JD	U.A.E.....850 Dirh
Chad.....1.20 CFA	U.S. Mail (Eur.) \$1.10
Colombia.....1.20 CFA	



## Russians Debate Amnesty Vote

### Political Maneuvers Heat Up, Yeltsin Enemies Still in Jail

By Lee Hockstader  
Washington Post Service

MOSCOW — A legal debate erupted Thursday over whether the legislative amnesty for the ring-leaders of recent rebellions in Russia means they will walk out of jail soon or not.

The State Duma, the lower house of the legislature, voted Wednesday to grant a full amnesty to the leaders of a botched 1991 coup and of October's violent uprising in Moscow. They include some of President Boris N. Yeltsin's most bitter and potentially dangerous opponents.

Despite the vote, the anti-government organizers remained in a Moscow prison on Thursday, and it remained unclear whether or when they would go free. Wives gathered at the prison gates hoping to see their husbands emerge, but to no avail.

There were continued predictions that the amnesty could lead to civil war if it was carried out. But the debate Thursday shifted to whether the Duma had acted within its power, and how Mr. Yeltsin now might be able to block the decision.

Russia's prosecutor-general suggested that he would free the accused from jail as soon as he received the official paperwork from the Duma. But that was hardly the last word on the matter.

In his speech Thursday to the Russian legislature, Mr. Yeltsin sidestepped direct comment on the amnesty question. But in a remark that was interpreted here as signaling his opposition to amnesty, the president said: "Social conciliation

does not mean total forgiveness. Mercy is only mercy if it does not counter law and norms of morality."

Mr. Yeltsin's spokesman, Vyacheslav Kostikov, said the president would make a decision before consulting with legal advisers. Yuri Baturin, Mr. Yeltsin's national security adviser, signaled the president was firmly against any amnesty and would try to stop it.

Mr. Baturin said the vote by the Duma "is in conflict with the principles of the law, because there cannot be a situation in which there are corpses and nobody is to blame."

The allusion was to the uprising by Russian lawmakers and their allies in October after Mr. Yeltsin dissolved the legislature and sent troops to enforce his decision. The violence left at least 147 people dead.

"The president, as the guardian of the constitution, has the right to demand that the General Prosecutor's office not implement the decision of the Duma if it is in conflict with the principles of the constitution and Russian law," Mr. Baturin said.

Some analysts said Mr. Yeltsin might simply issue a decree declaring the Duma's vote invalid. Others suggested that Mr. Yeltsin might be able to circumvent the amnesty, which was written to apply to political prisoners, by declaring that the organizers of the 1991 and 1993 disturbances are guilty of common crimes, not political offenses. Still others said the Russian constitutional court might get into the act.

## Black GIs Harassed at German Base

The Associated Press

BERLIN — Black soldiers at a U.S. Army barracks near Frankfurt have been the target of a hate campaign of telephone threats, slashed tires and "nigger" graffiti for 18 months, a military spokesman said Thursday.

The military newspaper Stars and Stripes quoted people in the U.S. military community at Bidingen as saying most of the targets were first sergeants.

The newspaper said the community members thought an underground organization might be involved.

Captain Gregory R. Bartlett, spokesman

for the 1st Armored Division at Bad Kreuznach, said he could not recall such racial harassment occurring previously on U.S. bases in Germany. "I haven't heard of anonymous threats like this," the captain said.

Bidingen, home of the division's 1st Cavalry Regiment, is offering a reward of \$1,000 for the arrest of anyone involved.

The 1st Cavalry commander, Lieutenant Colonel Philip Coker, ordered an investigation into the incidents at the Armstrong Casern a year ago, he said.

These were among the incidents:

• The painting of "nigger" on the walls of

an office, a company motor pool and a non-commissioned officer's automobile.

• Threatening phone calls to black officers and noncommissioned officers.

• The slashing of tires on a sergeant's car. Colonel Coker said that the racial climate at Armstrong Casern was not tense and that he thought these were isolated incidents.

"I don't see a lot of indications that there's some sort of racial polarization going on here," Stars and Stripes quoted him as saying.

But people who have received threatening phone calls have been given answering machines to screen their calls.



HUNT FOR VICTIMS — A passenger bus sitting in slurry where policemen searched for survivors after a gold-mine dam burst near Virginia, South Africa. A total of 13 people were confirmed dead and 58 were missing. Many homes were destroyed.

## WORLD BRIEFS

### Inkatha Official Accused in Massacre

JOHANNESBURG (AP) — Police said Thursday they had arrested an official of the Inkatha Freedom Party in connection with last weekend's massacre of 15 African National Congress supporters.

Two other Inkatha officials in the Midlands region of Natal Province also were detained for questioning, the police said. Inkatha accused police of arresting its members to appease the ANC.

The killings occurred Saturday when attackers shot and stabbed a group of mostly teenage ANC supporters preparing for a voter education forum in Mabele, a rural village about 500 kilometers (300 miles) southeast of Johannesburg.

### Findings Confirmed in El Al Crash

THE HAGUE (Reuters) — Flawed engine mountings probably caused the Amsterdam air disaster in October 1992 when an El Al Israel Airlines jet crashed into an apartment complex, killing 43 people, an independent report said Thursday.

The investigators found that the design and certification of the Boeing 747 engine mounting was "inadequate to provide the required level of safety." The report, issued by the independent Netherlands Aviation Safety Board, was in line with provisional findings of crash investigators.

The panel said the faulty mounting caused one of the plane's engines to tear free from the wing, wrenching a second engine loose and forcing the plane out of control.

### Ukraine Moves to Restrain Crimea

KIEV (Reuters) — Ukraine's parliament sought to put Crimea in its place on Thursday, affirming that the autonomous region had no right to conduct independent foreign, defense or monetary policies.

A resolution, passed by a vote of 222 to 4, gave authorities in the peninsula a month to bring Crimea's constitution and legislation into line with Ukrainian law. It was clearly directed at efforts by Crimea's new president, Yuri Meshkov, to forge closer economic and political ties with Russia.

But deputies representing both Ukrainian national and Crimean interests said its terms were relatively mild and would probably have little effect on Crimea's policies. The resolution accused Crimean officials of passing laws and making statements "which go beyond the prerogatives of Crimea's status and could worsen the situation in Crimea and throughout Ukraine."

### All 1,000 Syrian Jews Get Exit Visas

DAMASCUS (Reuters) — Syria has granted exit visas to all its approximately 1,000 Jews and they can travel abroad if they wish, Syria's deputy chief rabbi, Youssef Khalil Jajati, said Thursday.

He said that some Jews wanted to immigrate to the United States but that some had decided to stay in Syria, where Jews have lived for at least 2,500 years. Some families who immigrated recently to the United States had returned, Rabbi Jajati said.

"All members of the Jewish community in Syria now have exit visas and can travel abroad if they want," he said after performing prayers at Damascus's largest synagogue.

### Correction

An article in Thursday's editions about France's Superphénix breeder reactor contained an imprecise reference to mixed oxide fuel. The fuel can be recycled, although there are no plans to do so for another 10 to 15 years.

## TRAVEL UPDATE

### Cleanup Is Halted at Jerusalem Wall

JERUSALEM (AP) — Israel's Antiquities Department has halted a cleanup operation at the Western Wall, fearing Judaism's most sacred site could be irreversibly damaged.

A Jerusalem company began blasting the wall with water under high pressure Wednesday, but the act of charity did not please the Antiquities Department. "Cleaning with high-pressure hot water risks causing irreversible damage to the ancient blocks of stone," a spokesman said.

"We have to think of another way of returning the stones to their original condition," he added.

The Nissey airport was closed for 48 hours Thursday when the aviation union called a strike, authorities in the capital of Niger said. (AP)

Morocco's union federation decided to postpone a 24-hour general strike that was expected Friday, a spokesman said. The Democratic Labor Confederation claims 500,000 members. (Reuters)

Improved air safety in China is hoped for this year, a newspaper reported Thursday. The deputy director of China's civilian aviation administration made the call a week after an international report described China as the most dangerous place to fly. (AP)

A 200-room hotel will be built in Hanoi, the Vietnam News reported Thursday. The Hanoi Kiem Hotel, to be financed for \$175 million from Hong Kong, will be located on the shores of Hoan Kiem Lake. (AP)

Singapore is to be regional headquarters of the Federal Aviation Administration. The office at Changi Airport will serve the fast-growing Asia-Pacific region. (AP)

## Macedonia Seeks Talks, But Greece Holds Firm

ATHENS — Greece on Thursday rejected a call by President Kiro Gligorov of Macedonia for a United Nations-sponsored dialogue by the two countries without conditions and said that Greek demands must first be met.

"Our position is clear," said Foreign Minister Karolos Papoulias. "We say 'yes' to dialogue as long as the prerequisites for dialogue are satisfied."

Mr. Papoulias made the statement after talks with the European Union's external affairs commissioner, Hans van den Broek.

Mr. van den Broek, acting as EU mediator between Greece and Macedonia, delivered a letter to Prime Minister Andreas Papandreu from Mr. Gligorov. In it, he said Macedonia was ready to resume UN-sponsored talks, broken off by Greece in October, without conditions.

"If Mr. Gligorov gives up his intransigence then there could be good developments in the future," Mr. Papoulias said.

Athens wants the Macedonian republic to change its name, remove the Macedonian star from its flag and change two articles in its constitution, which Greece says reflect territorial claims on the Greek province of Macedonia.

"What I am extremely worried about is that the situation will sharpen up and become more tense for the simple reason that the parties are not talking," Mr. van den Broek said.

BRUSSELS — The head of Belgium's state telephone company, Benoit Remiche, has been charged with inciting "debauchery and prostitution" through leasing phone lines used for sexual purposes, a spokesman for the public prosecutor said Thursday.

The spokesman said the Belgium chairman had been charged in his professional capacity, not as a private individual. He was accused of being "jointly responsible" and other people were expected to be charged in connection with the case.

## Serbs Are Still Combat-Ready Outside Sarajevo, Bosnian Says

By John Kifner  
New York Times Service

SARAJEVO, Bosnia-Herzegovina — The Bosnian government asserted Thursday night that Serbian artillery, tanks and other heavy weapons were still ready for combat in the hills above this besieged city despite days of upbeat pronouncements by the United Nations that they had all been withdrawn or placed under UN control.

The removal of the guns threatening the city has "not been accomplished," President Alija Izetbegovic said in a statement issued after an emergency government meeting.

At the stroke of a NATO deadline at midnight Sunday, the top UN official here, Yasushi Akashi, issued a statement saying that there has been "substantial compliance" by the nationalist Serbian forces, whose guns had pounded the city from the hills for 22 months and that no air strikes would be necessary.

The deadline, and its threat of air strikes, was imposed by NATO after international outrage over a mortar attack on the public market here that killed 68 people. A British lieutenant general, Sir Michael Rose, and other UN officials have been trying to capitalize on the air-strike threat, moving swiftly to broker a cease-fire and trying to expand it into a durable peace.

There is a sense of a possible end game to this round of warfare, with a cease-fire between Croatian nationalists and the government in central Bosnia to go into effect at noon Friday. The cease-fire was agreed to after talks at a UN base in Zagreb presided over by General Rose and the UN force commander for the former Yugoslavia, General Jean Cot.

The agreement, calling for a pullback or the turning over of heavy weapons, and the positioning of UN troops in sensitive areas to ensure adherence to the cease-fire, could relieve the siege of Mostar, where Croatian nationalists have shelled the Muslim quarter

of the city, destroying the historic Ottoman-era bridge. The cease-fire is part of a series of diplomatic and political moves rapidly developing over the past two weeks that could result in some sort of confederation agreement between Bosnia and Croatia.

But the fragility of the peace efforts and the enduring hostilities here were pointed up by several events during the day on Thursday. Two Bosnian soldiers were shot and killed by snipers in different sectors of the front line surrounding the city overnight, despite the cease-fire that has been generally holding.

In the besieged Muslim-held town of Maglija, a shell hit a medical clinic, killing 10 people, according to ham radio broadcasts from the city, the only means of communications. There has also been stepped-up fighting in other areas of Bosnia in recent days, notably in the Bihać pocket.

Before and after the NATO deadline, UN spokesmen have issued one rosy statement after another

saying that they were "in control" of the Serbian weapons that had not been withdrawn.

But foreign journalists in the Serbian-controlled hills this week have been finding more and more dumps of Serbian weapons, some deserted, others fully manned by their gun crews. In Osijek, for example, British troops of the Coldstream Guards have been trying to negotiate with the commander of a battery of 19 artillery pieces which refuses to give them up.

Journalists have come on artillery pieces being towed past unarmed UN military observers, apparently in defiance of the conditions of the NATO ultimatum, or with their barrels pointed toward the city.

Journalists and military observers who have seen the guarded weapons depots set up by the United Nations say that they appear to hold fewer pieces than the official count and that weapons are old, rusted and broken.

## Wonder in Mostar as the Shelling Stops

By William E. Schmidt  
New York Times Service

MOSTAR, Bosnia-Herzegovina — Through the morning, there was the pop and crackle of automatic weapons, as Muslim snipers hidden in the shattered buildings overlooking the Neretva River traded bursts with Croatian marksmen across the way.

But among the weary residents of mostly Muslim eastern Mostar, scattered small-arms fire is hardly reason to keep them from leaving their dark basement shelters, especially on such a bright and balmy February day.

Screened from the snipers behind curtains of sandbags, overturned cars and the hulks of burned buses, hundreds of people spilled over the ruins of Marshal Tito Avenue, sitting in the winter sun and loudly discussing the question of the moment: Why has the Croatian artillery that rained death on their heads for some 270 days fallen silent in recent days?

"All we care is that the shells have stopped," said a 45-year-old woman named Afia, who since last fall has lived with six other people in a dark, cold concrete cellar in the center of town, protected from constant, hourly shelling that shredded the upper floors of the building.

After months as the heart of the Bosnian nightmare, a battleground where more than 2,000 were killed on both sides, 50,000 Muslims are still trapped inside a city with no electricity, no water and no escape. But there was growing hope late Thursday that the brutal siege of Mostar is drawing, at long last, to an end.

In the Croatian capital, Zagreb, rival Bosnian Muslim and Bosnian

Croatian commanders signed a cease-fire agreement which, if it holds, will disengage their forces all across central and southern Bosnia-Herzegovina. The truce applies to the fighters who have waged war over Mostar, a once-graceful provincial city of 125,000 known for its tiled red roofs and ancient Turkish architecture.

Negotiated with the aid of UN officers, including Sir Michael Rose, the British commander who oversaw the cease-fire talks in Sarajevo, the agreement calls for the two sides not only to lay down their arms, but to withdraw the heaviest weapons well back from the front or turn them over to UN control.

While the formal cease-fire was to take effect at noon Friday, both residents of the city and UN peacekeeping troops say the worst of the fighting tailed off abruptly earlier this month, around the same time that NATO and the United Nations were threatening to use air strikes on Serbian fighters besieging the Bosnian capital, Sarajevo.

"I think the Croats got the message," a relief worker in southern Bosnia said. "They figured it out: they just might be next on the list after the Serbs."

Confederation, he said, could eliminate growing Muslim fundamentalism in Bosnia, seen as dangerous to Croatia and the West, while ensuring European support for Zagreb's quest to recover Serbian-held regions of Croatia.

Mr. Tudjman endorsed a U.S.-inspired diplomatic initiative for Croat-Muslim rapprochement in a speech to the policy-setting central committee of his conservative nationalist party, Croatian Democratic Union.

"To continue fighting would be very unfavorable for Croatia," Mr. Tudjman said.

Confederation, he said, could eliminate growing Muslim fundamentalism in Bosnia, seen as dangerous to Croatia and the West, while ensuring European support for Zagreb's quest to recover Serbian-held regions of Croatia.

"These are the most important reasons for our acceptance," Mr. Tudjman said. "So there are strategic reasons for us and for Europe and the United States to reach such a solution and we will do everything to achieve it."

WASHINGTON — As the United States begins pressing the Bosnian government to make peace, key Republican senators are questioning whether Congress would approve the administration's plan to send American troops there if a settlement is reached.

At a hearing of the Senate Foreign Relations Committee, Secretary of State Warren M. Christopher warned that Bosnia's Muslim-led government would not sign a peace treaty without an American pledge to send troops to take part in peacekeeping in Bosnia.

Until two weeks ago, the administration's pledge to send American troops to enforce a durable settlement in Bosnia seemed largely theoretical. Now that the United States has abandoned its hands-off policy toward the Bosnian talks, and the Americans, the Russians, and the Western Europeans are all actively pressing for a settlement, the question of how to enforce any accord has taken on new urgency.

Mr. Christopher emphasized that Congress would be fully consulted and its approval sought before American forces were sent into Bosnia.

But in a reflection of the anxiety in Congress over American involvement, Senator Richard G. Lugar, Republican of Indiana, asked how Mr. Christopher could even be involved in negotiating a peace that would require American troops without first gaining the approval of Congress.



Children fighting their own war on Thursday in Sarajevo.

## U.S. Troops in Bosnia? Congress Wants Into Act

New York Times Service

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# THE AMERICAS / UNTANGLING THE WEB

## CIA Officer Betrayed 10 Contacts to Moscow, FBI Asserts

By Tim Weiner

New York Times Service

WASHINGTON — The FBI is accusing Aldrich Hazen Ames, the CIA officer arrested on espionage charges this week, of betraying at least 10 Soviet citizens working for United States intelligence. All were convicted of treason and executed in Moscow by Soviet authorities.

The agents said to have been identified by Mr. Ames included the first two intelligence officers the FBI had ever recruited from the Soviet Embassy in Washington and a senior Soviet counterintelligence official in Moscow responsible for catching U.S. spies. Mr. Ames had access to a wide range of CIA documents about intelligence operations and agents as a counterintelligence branch chief responsible for the Soviet Union and Eastern Europe from 1983 until 1991, according to government officials who received FBI briefings about the case.

Although the CIA and other intelligence agencies keep sensitive information carefully segregated to enhance secrecy, Mr. Ames could have kept himself informed about most agency activities in the Soviet Union, including the identities of Soviet citizens working for Washington, officials said.

The FBI's accusations that Mr. Ames's betrayals led to the executions of Moscow agents have been made only behind closed doors to Congress and other government agencies, not in open court. FBI officials say

they are still working to complete their list of accusations against Mr. Ames and did not name all 10 people they say were betrayed. The executions they described are all believed to have occurred before the Soviet Union dissolved in December 1991.

Mr. Ames and his wife, Maria del Rosario Casas Ames, who officials say has agreed to talk to federal investigators, remained imprisoned outside Washington awaiting a scheduled arraignment on Friday on espionage charges.

Among the betrayals ascribed to Mr. Ames by government officials briefed by the FBI were those of two Soviet Embassy officials, Valeri F. Martinov and Sergei M. Motorin.

"The FBI is bitter about this case," said a government official who was among several who received briefings from the bureau on Wednesday. "They lost two great sources here from the embassy."

Other government officials, who insisted on anonymity, said that a third Soviet Embassy official who was secretly working for U.S. intelligence was also betrayed and executed in 1986.

Mr. Martinov and Mr. Motorin came to Washington in 1981, each holding the innocuous rank of third secretary and assigned, respectively, to the cultural affairs and information sections of the Soviet Embassy in Washington.

In reality, they were spies, with Mr. Martinov seeking scientific and technical information, and Mr. Motorin gathering political intelligence to help Moscow

understand Washington's plans for fighting the Cold War.

The FBI succeeded in recruiting them as agents for U.S. intelligence in 1983 or 1984, after years of everything from friendly persuasion to cold-eyed entrapment, government officials said.

"It's extremely difficult to recruit such men," said F. Mark Wyatt, a retired senior CIA officer who worked with Soviet defectors after leaving the agency. "For American intelligence, the loss of men like that, of which we have too few, is a disaster and a catastrophe."

The KGB found out that Mr. Martinov had betrayed Moscow in late 1985, according to retired KGB officials. In November 1985, he was ordered to escort back to Moscow a senior Soviet spy, Vitali Yurchenko, who defected to the United States and then apparently changed his mind.

Mr. Ames was one of the CIA officials who debriefed Mr. Yurchenko, the deputy chief of the KGB's North American bureau and the highest-ranking Soviet intelligence official ever to defect to the United States. The FBI has not said whether it believes Mr. Ames fed information from the debriefings back to Moscow.

Upon arrival in Moscow, Mr. Martinov was arrested. So was Mr. Motorin, who was transferred back to Moscow at about the same time. The two men were executed in 1986, both American and Russian officials familiar with the case said.

An even better-placed source betrayed by Mr. Ames, according to the FBI, was the man code-named Prologue.

In December 1990, according to an FBI affidavit, Mr. Ames came home from work at the CIA, sat down at his home computer and began tapping out a message to the Soviet intelligence service.

The message precisely identified a mole inside the Moscow headquarters of the KGB, or Committee for State Security. The man Mr. Ames is accused of fingering held a job much like his own, only far more powerful.

He was the head of the American targets section of Soviet counterintelligence, according to government officials. His name remains secret, but CIA records referred to him by the code name Prologue, preceded by a random two-letter code, "GT," identifying him as a Soviet source.

"Ames had access to information regarding Prologue," an FBI special agent, Leslie G. Wiser Jr., wrote in a 35-page affidavit unsealed Wednesday. On Dec. 14, 1990, the affidavit said, Mr. Ames wrote an official CIA memorandum on a related subject.

A few days later, the affidavit said, Mr. Ames wrote the following message on his home computer: "I did learn that Prologue is the cryptonym for the SCD officer I provided you information about earlier." The "SCD" was the Second Chief Directorate of Soviet intelligence, the branch responsible for counterintelligence investigations in the Soviet Union.

### POLITICAL NOTES

#### Investigator Is Named on Foster Suicide

WASHINGTON — The special counsel investigating the real-estate investments of President Bill Clinton and his wife, Hillary Rodham Clinton, has announced the hiring of a former New York prosecutor to lead an investigation into the events relating to the suicide last summer of the White House deputy counsel, Vincent W. Foster Jr.

The independent counsel, Robert B. Fiske Jr., said in a written statement that Roderick C. Lankier would open a Washington office to investigate Mr. Foster's death. Most of the other seven lawyers hired by Mr. Fiske are current or former prosecutors or have backgrounds in investigating financial crimes. They will be based in Little Rock, Arkansas.

At the time of his death on July 20, Mr. Foster was the Clintons' personal lawyer. He was working on a blind trust for them and had recently prepared three years of delinquent corporate tax returns on the Whitewater Development Corp., a company jointly owned by the Clintons and James McDougal, the owner of Madison Guaranty, and his former wife, Susan.

Mr. Lankier was chief of the trial division of the Manhattan District Attorney's Office under Robert M. Morgenthau and then worked as a special state prosecutor investigating allegations of corruption in the criminal justice system.

As a private attorney since 1984, he served on a commission investigating police corruption. (W/P)

#### Three Stars for General? Or a Demotion?

WASHINGTON — Over the objections of at least one senator, the White House has recommended that the air force general who directed the allied air campaign against Iraq be retired as a three-star officer, rather than being demoted for improper interference with a promotion board.

Lieutenant General Buster C. Glosson was admonished last year by the secretary of the air force, Sheila E. Widnall, after an investigation determined that he had improperly intervened with a promotion board to try to block the advancement of a lower-ranking general.

General Glosson, 51, has vigorously denied the findings, which were made by the inspector general of the Defense Department and the inspector general of the air force. But the incident was serious enough to end his chances for promotion.

Senator Charles E. Grassley, Republican of Iowa, who has been a frequent critic of military spending, is challenging the White House decision to retire General Glosson at his three-star rank.

The Senate, which must approve the appointments of all officers to three- and four-star grades, must also approve the retirements of officers at those levels. (NYT)

#### D.C. Mayor Takes Makeup Without Blush

WASHINGTON — The District of Columbia mayor, Sharon Pratt Kelly, is spending city money on a professional makeup artist, and other elected officials are questioning how she can spend public funds on her personal appearance.

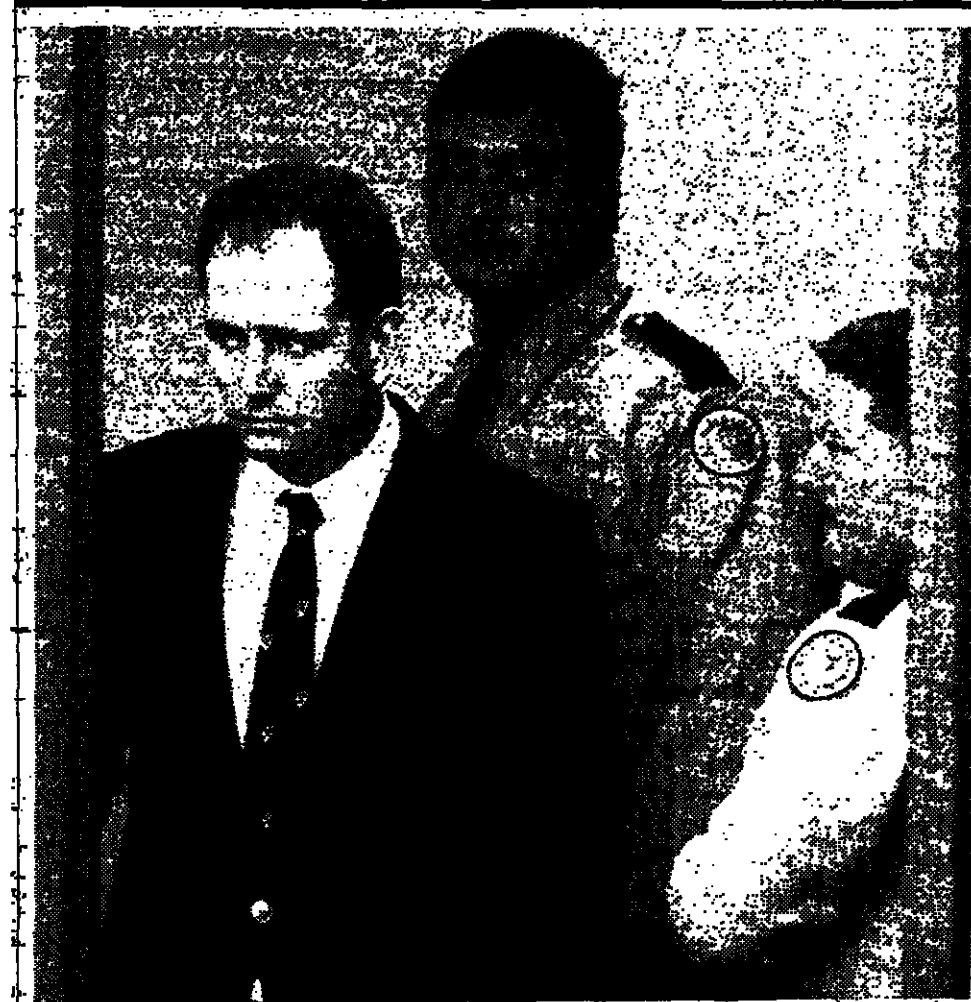
A city contract allowed the makeup artist, Julie A. Rodgers-Edwards, to receive as much as \$5,000 for the eight months that ended in September. Another city contract will pay her as much as \$9,000 for the 12 months ending this September.

Ms. Rodgers-Edwards is paid \$65 an hour to apply makeup for the mayor for all cable television productions, photo sessions and public appearances, according to the current contract.

The mayor said that Ms. Rodgers-Edwards's services, paid out of fees on cable service, were available to anyone appearing on District cable shows. (W/P)

#### Quote/Unquote

President Clinton, commenting on possible implications of the case of a career CIA officer accused of selling U.S. national security secrets to Moscow: "I do not think the facts of this case at this time undermine in any way shape or form the policy we have followed the last year toward President Yeltsin and his government and the forces of change in Russia." (AP)



Danny Rolling entering court in Florida, where jury selection for his sentencing continued.

### Away From Politics

• Lorena Bobbitt should be released from the Virginia state mental hospital where she has been confined since her acquittal on Jan. 21 on charges of cutting off her husband's penis, psychiatrists say. The recommendation to Prince William, Virginia Circuit Court is likely to result in her release from the hospital on Monday after a court hearing, her attorneys and other legal sources said.

• Prosecutors went to court to stop a man who killed five college students from earning money on the life story he wants to tell with his fiancée. A motion was filed in Circuit Court in St. Johns, Florida, seeking a lien against any profits earned by Danny Rolling, an inmate at Florida State Prison.

• A confessed murder conspirator and drug trafficker testified that he relayed an order from Colombia to kill Manuel de Dios Unzueta, the crusading anti-drug journalist who was killed in New York two years ago. The directive to kill the journalist, he said, had originated with a leader of the Cali cocaine cartel in Colombia because Mr. de Dios "was publishing a whole lot of things about the people in Cali."

• The murder case against 11 Branch Davidians has gone to the jury in San Antonio, Texas, after seven

weeks of trial that encompassed 130 witnesses and nearly 1,500 pieces of evidence.

• A lawsuit filed by 47 midshipmen who sought to block the U.S. Navy's investigation of possible cheating by students at the U.S. Naval Academy has been dismissed. The midshipmen had objected to the use of a Honor Review Board, led by Rear Admiral Richard C. Allen, to review the cases of more than 100 students accused of cheating. The ruling allowed the Allen panel to begin its scheduled review of the allegations on Thursday.

• When it comes to fast-ditch life-saving efforts, elderly people prefer to die peacefully unless the odds are clearly in their favor, a study suggests. Dr. Donald J. Murphy said: "It's not the life-sustaining machinery that intimidates them. They just don't want to be on it for any length of time if the prognosis is poor." The study was conducted at the Senior Citizen's Health Center at Presbyterian-St. Luke's Medical Center in Denver.

• A jury in New York City began its first full day of deliberations on Thursday in the World Trade Center bombing trial to determine who launched the attack. (W/P, AP, NYT, Reuters)

## Congress Assails Aid to Russia

### Administration Rejects Linkage to Spy Case

Compiled by Our Staff From Dispatches

WASHINGTON — Responding to congressional calls for a suspension of U.S. aid to Russia because of the spying affair, Secretary of State Warren M. Christopher said Thursday the fundamental purpose of the assistance was not charity, but to serve the U.S. national interest.

Mr. Christopher, told the House Foreign Affairs Committee that the reported spying for Russia by a CIA official, Aldrich Hazen Ames, and his wife, emphasized that there were "still forces at work in Russia inconsistent with reform."

But he said: "American assistance is not charity. We do it because it is in the interest of the United States and for no other reason." He said the aim was to promote political, economic and foreign policy reform in Russia.

Mr. Christopher was awaiting a reply from Moscow to a U.S. demand that Russians involved in the alleged espionage be withdrawn from Washington. As of Thursday morning, the Russians had not responded, an administration official said.

Representative Benjamin A. Gilman, Republican of New York, told Mr. Christopher at the committee hearing that the arrest of the Ames couple this week "could seriously affect the future of U.S. foreign assistance to Russia."

"It is ironic that, given the high levels of assistance that Russia has sought from the United States and other donors, they could still find the money to pay for this spy," Mr. Gilman said.

He called for assurance that U.S. aid did not "somehow permit this operation to continue long after Russia should have shut it down on its own."

Earlier the Senate Republican leader, Bob Dole of Kansas, called for a halt to aid to Moscow unless the Russians cooperate in the Ames prosecution and stop spy activities in the United States.

Senator Dennis DeConcini, Democrat of Arizona, chairman of the Senate Select Committee on Intelligence, and other lawmakers joined in the call for an aid freeze.

Attorney General Janet Reno said Thursday that she had "expressed our serious concern about the matter" in a meeting Wednesday with eight Russian officials, including General Sibir Kerkhlov, the first deputy prosecutor. "They acknowledged my concern," Ms. Reno said.

In Moscow, the Itar-Tass agency reported that the United States was sending a high-level CIA delegation to Moscow "in the coming days" to discuss the Ames case with Russian intelligence officials. U.S. officials in Washington did not confirm the report.

President Bill Clinton, meantime, sought to strike a balance between tough talk and assurances that the case would not disturb the post-Cold War thaw in U.S.-Russian relations.

He characterized the case as a very serious security breach, but he said it did not undermine the policy toward the government and "the forces of change in Russia."

"The relationship is bigger than handling this espionage case," Mike McCurry, the State Department spokesman, said. While the United States is demanding a serious response from Moscow, he added, "we have manifest interests that go far beyond this particular case." (AP, Reuters)

### Clinton Off Base On Japan Trade, Bradley Asserts

New York Times Service

WASHINGTON — In an unusually pointed rebuke of his own party's leader, Senator Bill Bradley of New Jersey has asserted that President Bill Clinton's hard line on Japan trade policy is "gratuitous brinkmanship" that puts the long-term economic and strategic interests of the United States at risk in pursuit of domestic political gain.

"I mean, it's kind of Japan-bashing for domestic constituency," the senator said, "without regard to the long-term strategic interests of the country, not even achieving the short-term objective, which is getting the bilateral trade deficit down."

Mr. Bradley, an outspoken advocate of free trade, has occasionally weighed in with a dissenting Democratic voice on a range of policy issues. He is one of the administration's most reliable backers in the Senate, however, and has rarely so sharply criticized Mr. Clinton.

He said that by allowing trade talks with Japan to collapse two weeks ago and threatening retaliation, the United States risked undermining Prime Minister Morihiro Hosokawa's nascent efforts at internal reforms that could open markets and strengthen the Japanese economy.

Mr. Bradley said that by insisting on specific numerical benchmarks to show whether Japan was opening various markets to goods from the United States and other countries, the White House could force Mr. Hosokawa into greater reliance on the labyrinthine Japanese bureaucracy, which has resisted change.

## House Assails Black Leader's Talk

Washington Post Service

WASHINGTON — The House of Representatives has condemned as "outrageous hate-mongering" a speech that Khalid Abdul Muhammad, a Nation of Islam leader, delivered at a New Jersey college last November.

The resolution denouncing the speech was adopted, 361 to 34, on Wednesday, after a debate pitting concerns about hateful remarks against worries about free speech.

"When freedom of speech is abused in a vile and vicious way" it must be condemned, said Representative Tom Lantos, Democrat of California, a Jewish refugee from Hungary who sponsored the resolution.

Representative Don Edwards, also a California Democrat, said Congress should not be in the business of condemning speeches.

In a Nov. 29 speech, Mr. Muhammad had called Jews "bloodsuckers of the black nation."

Most of the resolution's opponents, both white and black, expressed concern about Congress condemning a speech.

A group of 29 lawmakers voted "present," meaning they went on record as neither approving nor opposing the measure. Voting present was Kweisi Mfume, Democrat of Maryland, the chairman of the Congressional Black Caucus.

Earlier this month, the Senate condemned Mr. Muhammad's speech, 97 to 0.

## Obesity Is Going to Have Its Day in Court

The Associated Press

WASHINGTON — Deborah Birdwell wanted to see the movie "Jurassic Park," but she was too large to fit into the seats and the theater would not let her bring her own chair.

So, in a test of the Americans with Disabilities Act, the Tennessee woman has gone to court to try to force theaters to accommodate obesity.

"We're sort of the last group of people that society has said, 'Well, it's O.K. to hurt these people,'" said Ms. Birdwell, who at 5-feet-4 weighs 360 pounds (163 kilograms). "That has to stop."

In November, the government declared that people who are extremely obese are protected from discrimination under the disabilities act regardless of whether the weight was caused by disease or poor diet.

Previously, only people whose

weight stemmed from disease were protected. But in a brief filed in an employment lawsuit in Rhode Island, the Equal Employment Opportunity Commission said that "morbid obesity" from any cause qualified. Morbid obesity is a medical term that means 100 percent over normal weight.

Ms. Birdwell will become the first person to test that ruling under another provision of the disabilities act — that public places must accommodate the disabled. For her, that means a big enough theater seat.

In a lawsuit filed in U.S. District Court in Cookeville, Tennessee, Ms. Birdwell is asking that Carmike Cinemas immediately be forced to accommodate obese patrons. She also seeks unspecified damages, which her lawyer hopes will total \$1.5 million.

Ms. Birdwell, 38, of Cookeville, has been overweight since childhood, and obesity runs in her family. She sought escape in the mov-

ies, but in 1991 became too large for the seats. She said she was so ashamed that she became a recluse.

"I had just hibernated," she said.

Then last summer, she took her niece to see "Jurassic Park." She called the theater, explained her weight problem and asked if she could sit in her own chair in the wheelchair section, out of the way. A woman on the phone said yes.

But the suit alleges that the theater manager, Dewey Dodson, spotted Ms. Birdwell in line and yelled that she could not bring in the chair, calling it a fire hazard that violated theater policy. After

several minutes of public harranguing, an embarrassed Ms. Birdwell collapsed in tears, the suit says.

The disabilities act requires that public places accommodate anyone with a physical condition that "substantially limits a major life activity."

And obese people are now demanding that accommodation, said Ms. Birdwell's attorney, Jim Goodman of the Persons with Disabilities Law Center in Atlanta. He also is preparing a lawsuit against an airline that charged an obese customer for two seats because she couldn't fit in one.

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## Hearing in Belfast Draws Kennedys

In-Law, One of Guildford 4, Appeals Murder Conviction

By John Darnton

**BELFAST** — With a row full of Kennedy family members sitting up front, three judges this week began hearing the appeal of a 1975 murder conviction brought by Paul Hill, one of the Guildford Four, who were recently portrayed in the film "In the Name of the Father" as innocent victims of the British police and jurisdiction.

Mr. Hill's contention is that his confession to a murder in Belfast — the only evidence against him — was coerced while he was being held in the police station at Guildford, in Surrey, England, for questioning over the bombing of a pub.

Mr. Hill and three others were tried and convicted of the bombing, which killed five people. They were released in 1989 after serving 15 years of life sentences because the conviction to the bombing had been fabricated by the police.

That story, as told by Gerard Conlon, one of the defendants, was made into the film, a tale of three Irishmen and an Irishwoman being wrongfully convicted.

Although the Hill role is small, it has made him a celebrity at 39. Eight months ago, after a three-year courtship, he married Mary Courtney Kennedy, a daughter of Robert F. Kennedy, whom he had met in the United States.

The two were mobbed by cameramen and photographers when they arrived at the heavily guarded courthouse. Inside, they sat side by side in the first row. Nearby was Eibhlin Kennedy, the widow of Robert Kennedy, who was assassinated in 1968. In the same row sat other Kennedy children: Representative Joseph P. Kennedy 2d of Massachusetts, Kathleen Kennedy Townsend and Kerry Kennedy Cuomo.

Behind the Kennedy group sat members of the family of Brian Shaw, a British soldier who was 21 when he was kidnapped, tortured and killed by the Irish Republican Army.

After the opening session, Joseph Kennedy faced television cameras in front of the courtroom. "We're here today to support my brother-in-law in his struggle for justice here in Northern Ireland," he said. "Given the history of my family, I also want to let the Shaw family know that we know what it's like to be a victim of political violence. But one wrongful act should not condemn an innocent man for the rest of his life."

Mr. Shaw's widow, whom he

married only two weeks before his death, is bitter that Mr. Hill was let out on bail after the Guildford conviction was quashed. "He should be behind bars for the rest of his life," she said recently.

Mr. Hill reportedly confessed to Mr. Shaw's murder when he was visited by two officers of the Royal Ulster Constabulary at the Guildford police station. The police officers said at his trial that he had readily admitted to being present when Mr. Shaw was killed.

While in custody awaiting trial for the pub bombing, Mr. Hill was flown to Belfast for a seven-day trial, convicted, given a life sentence, then returned to England. He was released with the three others in October 1989 while his appeal was pending.

During Wednesday's session his lawyer, the Labor peer Tony Gifford, reviewed the record of his custody at Guildford. He said Mr. Hill had been subjected to "assaults, threats and deprivation of sleep and food" by the Surrey police. This had reduced him to "such a wreck," the lawyer said, that when the Ulster officers arrived, "he was ready to agree to any accusation put to him."

At one point, a policeman poked a revolver through a hatch in the door of his cell, Lord Gifford said, hinting that he might call new witnesses to establish this.

Attorneys for the Crown, who are fighting the appeal, are apparently going to argue that Mr. Hill's signed confession to the Shaw murder preceded and was not "contaminated" by his confession to the pub bombing.

If the conviction in the death of Mr. Shaw is upheld, it is likely that the prosecutors would offer to release him because of his time already served.

But this procedure would require him to acknowledge that he was guilty, something that he has vowed not to do. Acknowledgment of a guilty verdict would also mean that Mr. Hill would forfeit compensation for wrongful imprisonment.

**FBI Arrests Fugitive** — The FBI said it had arrested at Britain's request an Irish nationalist guerrilla who was involved in a mass breakout from a Northern Ireland prison in 1983, Reuters reported from San Francisco.

FBI agents arrested Terence Damien Kirby, 37, also known as Paul Kerr, Wednesday in Concord, California, 30 miles (50 kilometers) east of San Francisco, the FBI said.

## Elections in Sight, UN Turns a Corner in Mozambique

By Paul Lewis

New York Times Service

**UNITED NATIONS, New York** — Efforts to end the 16-year-old civil war in Mozambique passed a milestone when the Security Council agreed to start replacing some of its peacekeeping soldiers there with civilian police officers. It also set a November deadline for ending its involvement in the African country.

In a decision showing that the peace effort is shifting from monitoring the cease-fire toward preparing for elections in October, the council agreed to send 1,144 UN police monitors to Mozambique but told the secretary-general Butros Butros Ghali to cut back the 6,200-member military peacekeeping force at the same time to avoid additional cost.

The council also asked the secretary-general to plan

the withdrawal of the whole peacekeeping force by the end of November, when a new, democratically elected government should be in power, although it expressed concern at delays in carrying out parts of the peace agreement of October 1992, particularly the demobilization of both sides' armies and the formation of a new national defense force.

In a report to the council in late January, the secretary-general said President Joaquim Chissano and Alfonso Dhlakama, head of the Renamo rebel movement, had finally started to cooperate in carrying out the terms of the peace accord they signed in Rome.

Both sides' troops have begun to assemble in cantonments for disarmament and demobilization and a start has been made on disbanding irregular and paramilitary forces. A new electoral law has been

approved by the parliament and an election commission created.

The report said the two sides were assembling their forces at a slow and uneven pace. Mozambique's representative, Pedro Comissario Afonso, told the council Wednesday that as of Feb. 21 the United Nations had received 26,768 government troops into its assembly areas but only 10,628 members of the Renamo forces.

A start has yet to be made on demobilizing these forces, sending most home but selecting some from both sides to form the nucleus of a new 30,000-member national army. The secretary-general warned last month that few soldiers were likely to volunteer for this force unless the government made clear it could pay them.

Another problem, his report said, is that Renamo needs \$7.5 million to pay the expenses of transforming itself into a civilian political party.

The secretary-general said that about half of the 4 million to 4.5 million people displaced within the country by the civil war have now gone back to their villages, while some 621,000 people, or about 40 percent of those who fled into neighboring countries, had returned home.

The peace effort in Mozambique is already a year behind schedule. Under the original Rome agreement elections were scheduled for October 1993. But the two sides have been reluctant to start disbanding their armies until recently, while the United Nations refused to allow elections to be held until they did because it feared the loser would restart the civil war, as happened in Angola.



SEASONAL TREAT — People lining up in Beijing to purchase sweet dumplings, traditional fare for the Chinese Lantern Festival.

## U.S. Studies Offer By North Koreans

The Associated Press

**SEOUL** — The United States is considering a new North Korean offer to allow in a United Nations team for some nuclear inspections next Tuesday as part of a package deal, according to Yonhap, the South Korean press agency.

A firm agreement would mark a small breakthrough in the Communist North's standoff with the international community over its possible development of nuclear weapons.

But the North Korean proposal does not include inspection of two sites that the International Atomic Energy Agency suspects have been used for nuclear weapons production.

The offer was made during U.S.-North Korean working-level talks in New York, Yonhap reported, quoting a North Korean diplomat.

Tom Hubbard, U.S. deputy assistant secretary of state, met with Ho Jong, deputy North Korean UN mission chief, on Wednesday

for the second time in two days to work out the terms of inspections by the UN agency.

The North, facing possible international sanctions, agreed last week to accept some inspections, but has dragged its feet on issuing visas to the inspectors.

In the New York talks, North Korea said it would allow agency inspections to begin March 1 if the United States accepted a "small package deal" that calls for setting a date for bilateral high-level talks on improving ties, Yonhap said.

Yonhap reported that the North would not issue visas for UN inspectors until its "package deal" was accepted.

The North Korean deal calls for canceling annual U.S.-South Korea military exercises, dubbed "Team Spirit," and considering exchanging special envoys with South Korea to discuss a nuclear-free Korean peninsula, it said.

The United States has accepted other demands, but will not approve a North Korean request that Pyongyang only "consider" exchanging presidential envoys.

American and South Korean officials have said that the actual exchange of presidential envoys, not just consideration, is a prerequisite to U.S.-North Korean high-level talks.

They also said that the cancellation of "Team Spirit," which North Korea considers nuclear war preparations, would depend on the result of the nuclear inspections.

### Hosokawa Will Visit Beijing

Reuters

**TOKYO** — Prime Minister Morihiro Hosokawa of Japan will visit China from March 19 to 21 to discuss economic relations, a Japanese Foreign Ministry official said Thursday.

## Out of Africa: Prehistoric Migration Misdated, Scientists Say

By Boyce Rensberger

Washington Post Service

**WASHINGTON** — Scientists have found evidence that the first prehistoric people to migrate out of Africa — the evolutionary homeland of human beings — may have begun their journey more than half a million years earlier than had been generally thought, or more than 1.8 million years ago.

The findings are based on re-evaluating the antiquity of bones of Homo erectus (the immediate ancestor of Homo sapiens) found on the Indonesian island of Java early in this century.

They help to explain a long-standing mystery about this hominid species: Why the East Asian wing of the family lacked the

stone tool culture developed by the African wing.

Among African Homo erectus populations, the most typical stone tool is the hand ax. Hand axes are found in Africa and in southwestern Asia but not in East Asia, which includes Indonesia.

The re-dating of the Java fossils explains why. The founders of that population left Africa before the hand ax was invented.

The findings were announced Wednesday in San Francisco at the annual meeting of the American Association for the Advancement of Science and are being published in the Friday issue of the association's weekly journal, Science.

The findings were made by Carl C. Swisher 3d and Garniss H. Curtis of the Institute

of Human Origins in Berkeley, California. Both are experts in analyzing the chemical contents of rock crystals to determine their ages.

The Homo erectus specimens were collected in 1936 and announced as "Pithecanthropus erectus" and as "Java Man." Because fossils of this age cannot be dated directly, estimates of their age varied until experts generally settled on 1 million to 1.2 million years.

The oldest African specimens of Homo erectus, found in Kenya, date to 1.95 million years ago. About half a million years later, the hand ax culture sprang up in Africa. Because the Java individuals were thought to have left Africa later, it was a mystery why they lacked hand axes.

Mr. Swisher and Mr. Curtis used a comparatively new method to date the Java skulls — measuring the relative amounts of two isotopes of the element argon in crystals of mineral found in the sediments thought to have encased the fossils.

One isotope decays radioactively at a known rate to become the other. The relative amounts of the two isotopes tell how long since the crystal formed. Because the bones were collected by villagers and not scientists, however, there is some question about which layer of sediments they came from.

Mr. Swisher and Mr. Curtis concluded the Java fossils were 1.8 million years old. This makes them the oldest known species of prehistoric man that lived out of Africa.

## Dinah Shore, Singer and TV Star, Dies

Compiled by Our Staff From Dispatches

**LOS ANGELES** — Dinah Shore, whose best-selling records and variety show made her one of the most popular entertainers in American television, died Thursday at her Beverly Hills home. She was 76 years old.

Miss Shore, who was recently diagnosed with cancer, died at her home after a short illness, according to her publicist, Connie Stone. Miss Shore's two children and her former husband, the actor George Montgomery, were with her when she died, Ms. Stone said.

Miss Shore's television career spanned the 1950s to the early 1990s, when she had a half-hour talk show, "A Conversation With Dinah," on The Nashville Network. In the '50s, the honey-blonde singer was one of the few women entertainers to find success as host of a television variety program. She started in 1951 with "The Dinah Shore Show," a live 15-minute musical show.

The more elaborate "Dinah Shore Chevy Show" began in 1956

and ran until 1963. Her singing of the advertising jingle, "See the USA in Your Chevrolet," and her sign-off with a big kiss to the audience became trademarks. Other shows were "Dinah's Place" (1970-74), "Dinah" (1974-79) and "Dinah and Friends" (1979-84).

Referring to the television career, she said in a 1989 interview: "I don't know how to be afraid of that old red eye. It's one person to me. I don't visualize large numbers of people out there. I'm comfortable with it."

Before going into television, she was a singing star on radio known for such hits as "Till Walk Alone" and "The Anniversary Song." She occasionally appeared in films in the 1940s, including "Follow the Boys" and "Fun and Fancy Free."

She was born Frances Rose Shore on March 1, 1917, in Winchester, Tennessee. A graduate of Vanderbilt University, she began her broadcast singing career in 1938 on New York's WNEW, joining NBC later that year and signing a contract with RCA Victor in 1940. A year later she joined Eddie Cantor's radio program. By 1943, she had her own radio program, sponsored by General Foods.

More recently, her "A Conversation With Dinah" on The Nashville Network ran from August 1989 to March 1991 as a weekly show. She then did specials for TNN, including one in 1991 in which she interviewed Burt Reynolds, a former boyfriend. She appeared on a TNN tribute show to Eddie Arnold in May 1992.

Her romance with Mr. Reynolds in the 1970s made headlines in part because she was nearly 20 years older than he was.

"What difference does it make?" she said in a 1981 New York Times interview. "Chronology has nothing



Dinah Shore's radio-television career spanned more than 50 years.

to do with it. I know so many people 32 years old who are older than I see who are 34. It has to do with how you feel emotionally about yourself. Love is so hard to find that you must cherish it at any level."

She married Mr. Montgomery in 1943 and had two children, Melissa Ann Hime, born in 1948, and John

David Montgomery, born in 1954. She divorced him in 1962. A second marriage to Maurice F. Smith in 1963 lasted only a year.

A golf enthusiast, she was for more than two decades the host of the Dinah Shore Classic golf tournament in the Palm Springs area. She was also a champion of animal rights.

(AP, Reuters)

## Envoy's Memoirs Lash Back at Baker

Reuters

**BONN** — The U.S. ambassador in Bonn during German unification in 1990 said he resigned in frustration because Secretary of State James A. Baker 3d resented that he correctly predicted the merger so soon.

Vernon A. Walters, the soldier-diplomat who boldly forecast early German unification when he took up his post in April 1989, said in a book that Mr. Baker tried to muzzle him and freeze him out of U.S.-West German talks on unification.

The book, just published in Germany, reveals disputes and intrigue over Germany in the Bush administration, whose early support for unity was crucial at a time when Britain, France and the Soviet Union all wanted to slow it down.

"Especially Baker seemed not to forgive me for being right about German unity," said Mr. Walters, whom a British newspaper dismissed at the time as "quixotic or miffed"

for believing the Cold War would be over so soon.

Mr. Walters said Mr. Baker, who like most diplomats doubted that the two Germanys would merge before the end of the century, even kept his diplomatic cables from reaching President George Bush.

East and West Germany united Oct. 3, 1990, less than a year after the Berlin Wall burst open and the Communist regime collapsed.

Mr. Walters, a general who was deputy director of the Central Intelligence Agency and U.S. ambassador to the United Nations before arriving in Bonn at the age of 72, said Mr. Baker barred ambassadors from giving interviews after his views were reported from Bonn.

He questioned Mr. Walters' judgment on Germany only two months before the Berlin Wall opened in November 1989.

Mr. Walters threatened to resign twice,

both times because Mr. Baker shut him out of meetings on unification with West German officials and sent his own aides on secretive trips to Bonn to negotiate.

After the Wall opened, Mr. Walters said, Chancellor Helmut Kohl sought unity quickly while Foreign Minister Hans-Dietrich Genscher was more cautious.

"In Washington," he said, "it was President Bush who — like the chancellor — seemed to realize that a unique chance for German unification had emerged and we should grab it."

Mr. Baker, like Mr. Genscher, worried more about undermining President Mikhail S. Gorbachev, who faced opposition to unification from the Soviet military.

"Baker overlooked the fact that Gorbachev had long before unleashed the forces that would finally swallow him up," Mr. Walters wrote.

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# Herald Tribune

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## Next Steps in Bosnia

Sensibly, U.S., European and Russian officials meeting in Bonn on Tuesday decided to hold off on any new bombing threats and concentrate on intensified diplomacy. That means trying to consolidate the cease-fire around Sarajevo and extending it to other battlefronts, improving the peace terms offered to the Bosnian government and nurturing a reconciliation between government and Bosnian Croat forces that could lead to political and economic federation.

The silence of the big guns around Sarajevo was the first good news to come out of Bosnia in a long time. But a little perspective is in order. Sarajevo is now, as one United Nations official put it, "an island of peace in a sea of war." Snipers and artillerymen still murder civilians in half a dozen other surrounded and refugee-swollen cities. Even in Sarajevo, siege lines remain frozen in place.

Disaster may have been avoided, but no diplomatic triumph is yet in sight. Whether there will be one any time soon depends on how Russia and the United States define their newly enlarged roles.

The Clinton administration now seems ready to embrace the European approach of partition imposed by external pressure and enforced by large numbers of international peacekeepers, one-third of them Americans. Republican senators on the Foreign Relations Committee were right on Wednesday to warn Secretary of State Warren Christopher against committing American forces on the ground without prior congressional approval.

As for Moscow, the question is whether it has intervened as an evenhanded peacemaker or a partisan of the recalcitrant Serbs. Encouragingly, Russian diplomats now acknowledge

that better terms must be offered to the Bosnian government. But the improvements cannot, as Moscow would prefer, come exclusively at the expense of the Bosnian Croats. Only the Serbs can lift the sieges that now imprison the inhabitants of cities further east.

Washington, meanwhile, has assigned itself the role of finding out what settlement terms the Muslim-led government will minimally accept. Europe and the Russians expect the Clinton administration to pressure as well as to listen. That would be a mistake. Any peace imposed from outside would have to be enforced from inside. And if America helps to impose peace, it will be harder to resist sending peacekeepers later on.

Outside powers can mediate, conciliate and encourage, but in the end they cannot push the three Bosnian combatants further than they are willing to go. And while Bosnian government and Croatian negotiators are showing a new disposition to compromise — on Wednesday they agreed to a cease-fire — the Serbs, all along the primary engine of the Bosnian war, still are not.

While the Serbs have cheered newly deployed Russian troops as reinforcements for their side, Russian diplomats have been assuring the West that Moscow intends to play an evenhanded role. The best way to demonstrate that would be to convince the Serbs to offer meaningful territorial, political and military concessions, which the Russians suggest, can sooner be elicited by friendly persuasion than by further military bluster.

With not only the future of Bosnia at stake but also perhaps Russia's relations with the West, that proposition deserves a serious try.

—THE NEW YORK TIMES

## The Spying Continues

When James Jesus Angleton died in 1987, he was regarded with justification as brilliant but unbalanced. In his long career as chief of the CIA's counterintelligence operations, he was so suspicious of Soviet trickery that he even dismissed as a charade Moscow's break with Chinese Communists. He seemed to see potential "dangles," "false flags" and "disinformation."

Yet there was also method in Mr. Angleton's view of the "wilderness of mirrors," his term for the duel between Soviet and American intelligence agencies. He would not have been surprised by the allegations that Moscow has paid more than \$1.5 million since 1985 to Aldrich Ames, who once headed the agency's Soviet counterintelligence bureau.

"Think of an espionage service as a highly specialized employment service," Mr. Angleton told a sympathetic chronicler, Edward Jay Epstein. He compared rival services to corporate "headhunters" — which is evidently how Mr. Ames, in trying to recruit Soviet assets, was ensnared himself. The only way that an espionage service can safely steal documents, Mr. Angleton said, is to recruit an agent with legitimate access to secret data.

As he put it in Mr. Epstein's 1989 book, "Deception," the potential mole can be incrementally drawn into "a subtle web of irresistible compromises." That is what federal prosecutors say happened to Mr. Ames and his

wife. To foil such penetration, Mr. Angleton instituted lie detector tests and other security measures. His methods and suspicions got so out of hand that in 1974 he was forced to resign. But, as the Ames affair suggests, the agency appears to have paid too little heed to what was valid in his warnings — and to the potentially fatal consequences for undercover agents in the former Soviet Union.

President Bill Clinton is right to express outrage, and he needs to grill the CIA about why Mr. Ames' betrayal went undetected for so long. But the scandal should not be permitted to derail U.S.-Russian relations. Spying is an unenviable act, but it is not an uncommon one nor an exclusively Russian activity. Does anyone seriously doubt that the CIA was busy recruiting KGB employees from the rubble of the Soviet empire? In the game of nations, there are no friends, only provisional allies, and even they spy on one another.

In any event, it does not take spies to know the deeper truths that shape U.S.-Russian relations. Espionage and military competition are not the keys to the two nations' future. It is fine to let Boris Yeltsin know that he has stuck his thumb in the eye of a potential ally. But neither Washington nor Moscow can let the Cold War game of spy versus spy throw them off the path of economic and political cooperation.

—THE NEW YORK TIMES

## Inflation Insurance

When Alan Greenspan said that short-term interest rates in the United States are likely to rise, it was less a declaration of public policy than a statement of the obvious. As he pointed out, the real short-term rates — that is, the rates adjusted for inflation — have been around zero for the past year. With the economy picking up speed, there is nowhere for them to go but up.

There are two views on this subject. The other one holds that it is much too soon to talk of higher interest rates. That opinion is well represented on the House Banking subcommittee before which Mr. Greenspan, as chairman of the Federal Reserve Board, was testifying. Representative Paul Kanjorski, Democrat of Pennsylvania, sternly asked why the Federal Reserve had allegedly tightened credit earlier this month when there was no evidence whatever of any increase in inflation.

The Federal Reserve's tactics at present have less to do with technical economics than with psychology. It can control the short-term rates, but only the short-term rates, by pushing money into the banks or pulling it out. The long-term rates, in contrast, are set not by the government but by private investors betting against future inflation. It is mainly these

long-term interest rates that finance industrial growth — and, to the administration's dismay, they have been rising for the past four months, lifted by anxieties in the financial markets about inflation ahead. After the statistics showed that the national economy had been growing much faster late last year than anyone had expected, the Federal Reserve moved several weeks ago to raise the short rates. The idea was to reassure nervous investors that it was alert to the dangers of inflation and was capable of taking forceful action.

It is a curious play to raise an interest rate a little in the hope of coaxing a more important one down. But the Federal Reserve operates in a world of speculators in which appearances and expectations make all the difference. And the expectation of inflation, Mr. Greenspan observed, quickly turns into the real thing as businesses begin to raise prices prematurely to get ahead of the game. There was no complaint from the White House, incidentally, when the short-term rates jogged up, for President Bill Clinton, too, is desperately eager to keep these long rates down. Mr. Greenspan described the maneuver correctly as "low-cost insurance" against inflation.

—THE WASHINGTON POST

## Other Comment

### Not So Helpless on Rushdie

It would be wrong to argue that absolutely nothing can be done about the death edict [on Salman Rushdie]. Iran may have gone through its revolutionary phase but it is now all too well aware of the need for foreign technology, capital, know-how and basic consumer goods. After the "honeymoon" of its early postrevolutionary years, when anything originating from the West was re-

jected as decadent, Tehran is presently looking for ways to improve its relations with the non-Islamic world.

Under these conditions, when the West is rhetorically described by Iranian leaders as the personification of evil but it is, in reality, less so as a trading partner, the room for action on the Rushdie case is not as limited as some commentators in Europe would have us believe.

—Cyrus Mui (Nicolas)



## Stop the Balkan War and Draft Strong New Rules

By Flora Lewis

BONN — The key new element in the Bosnian war is the active involvement of Russia and the United States. The cool initial reaction to President Boris Yeltsin's call for a summit should be reconsidered. It can be a big help.

There are ironies in recent developments, which emphasize that this is a new stage in the conflict.

Yugoslavia was the only country in Europe where the Communists were in power at the end of World War II without help of the Red Army. This was an important factor in Tito's break with Stalin in 1948. It was fear of a subsequent Soviet invasion, possibly at the invitation of Croatian nationalists, which led to the organization and training of the Yugoslav army with special preparations for guerrilla war and masses of arms caches in mountainous areas, providing reserves for the current war. Now, blue-helmed Russian troops are in Bosnia to the delight of the Serbs.

What set in motion the forces leading to the fight in which the Russians have intervened was Slobodan Milosevic's decision to switch his power base from the declining Communist party to Serbian nationalism. His first step was to cancel the autonomy of the ethnic Albanian-dominated province of Kosovo, a move which the West ignored on grounds of non-interference in a sovereign state.

German diplomats point this out ruefully when they are taxed with rushing recognition of Croatia on grounds of the right to self-determination. Ex-Foreign Minister Hans-Dietrich Genscher argues that this right must belong as much to small as to big countries.

The fighting did stop in Croatia after formal recognition in January 1992, when the Serbs had achieved major military objectives. It broke out in Bosnia when its independence was recognized at Washington's urging in May 1992. Now even the United States welcomes Russian troops on the ground as the price of persuading Bosnian Serbs to remove artillery from around Sarajevo so that NATO doesn't have to bomb it out.

The second irony is that it was France, so allergic to NATO action, which appealed to the alliance for the determined air attack threat which the United States had sought for nearly a year. But instead of going along with the first part of Washington's "lift" (the embargo on arms for Bosnia) and strike, Paris persuaded Washington to join a renewed, more intensive diplomatic effort for Bosnian agreement to the latest partition plan.

The third irony is that this may all be leading back to square one, the secret meeting between Mr. Milosevic and Croatia's Franjo Tudjman in Graz, Austria, before the war even

started. They are said to have agreed on a map to divide Bosnia, approximately along the lines that would result if the new Bosnian-Croatian talks on confederation of their two states bring agreement. Presumably, Bosnian Serbs would take that as justification for cutting out and joining Greater Serbia.

Genscher says the big difference between murderous Yugoslavia and the subsequent breakup of two other multiethnic states, the Soviet Union and Czechoslovakia, is that in the latter two the strongest party agreed to dissolution. But that is an illusion. Mr. Milosevic always knew that his Serbian nationalism would provoke secessions (as Boris Yeltsin knew that his Russia-based campaign would fracture the Soviet Union). Belgrade went to war not to save the Yugoslav federation but to change Serbia's borders when it broke up.

That comes back to the issue of self-determination versus existing state borders. The German Foreign Ministry, acutely sensitive to charges that Bonn's recognition triggered the Bosnian war, claims that "internationalization" — that is, accepting Croatia and Slovenia as sovereign states — was necessary to avoid the charge of interfering in Yugoslavia's internal affairs in the attempt to stop the war, which began in June 1991.

This is a pernicious idea and a terrible precedent that could easily be abused in many places where restive minorities, who may form a local majority, think of breaking loose.

There is an urgent need for re-examination of the contradictions in the international principles of self-determination, territorial integrity of states, and noninterference, if there is to be a working system.

The basic rules have to be of use of force, respect for minorities, and the right, even the duty, of international

intervention when the rules are aggressively violated. Yugoslavia shows now that intervention is inescapable if Europe is to sort out its brewing quarrels without spreading, intolerable tragedy, that sooner is better than later, and that it must be predictable and credible — the conditions for deterrence.

Now that Russia and America are participating, slight must be raised beyond the misery of Sarajevo.

Mr. Yeltsin's call for a summit meeting with the United States, France, Britain and Germany, without waiting for the belligerents to go on haggling, should be accepted and used to launch future talks on the rules, which have to be of immediate concern to Russia and its "near abroad."

Despite past bickering, France, Britain, Germany and the United States are on the same tack, and with the Russians there is a chance that the powers have come to see their responsibility.

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## Will Washington Ever Stop Wavering?

By Stephen S. Roenfeld

WASHINGTON — It is plain that Russia, deeply troubled at home, is pushing into foreign policy activities where things are easier and where the political leadership can more readily reap rewards. From taking a quiet part in UN peacekeeping in Croatia, Moscow is now taking a conspicuous role in Bosnia. Ostensibly it operates under the United Nations, but actually it moves under UN cover as an autonomous force, one defining its own tactics and goals.

The Russians know the terrain in the Balkans, they have no public opinion drag at home (quite the contrary) and in the Serbs they have an ardent if hard-to-control client. They have a further advantage — an American "partner" which is still hesitating over what its role ought to be, notwithstanding the generally good results flowing from its first bout of persuasive muscle-flexing in Sarajevo.

This is what is troubling about the Clinton policy. No sooner does Bill Clinton convince almost everyone, including the local parties in Bosnia and the various allies and onlookers, that he means business, than he and his chief aides start uttering excuses for not extending new life-saving NATO ultimatums in the remaining besieged towns. NATO, he warned gratuitously the other day, might not be able to carry such further missions off.

This is how, on the same earlier day, Secretary of State Warren Christopher could declare forthrightly that "any military effort by the Muslims to regain territory was fully justified," even while Mr. Clinton himself was saying unconvincingly that "the killing is a function of a political fight between two factions and until they agree to quit, doing it, it's going to continue."

Amivalence and inconsistency are poor ways to draw the attention of those who do the killing and "cleansing," and to exercise international leadership. The president should be acting as if he were taking to heart the Russian caution that "nothing in Bosnia justifies 'strong action or strong language.'"

Plenty does. The president should not be devaluing the very coin — a threat of military toughness — that has brought him the modest but real enough success that his more assertive policy of the last two weeks has enjoyed.

It is a bit amusing to observe that an administration which spent a year-plus fleeing from Bosnia and seeking to draw attention to supposedly more urgent foreign policy priorities elsewhere is now starting to invite congratulation for its gestures — so far no more than gestures — in that tormented land.

But it would be tragic if the current opportunity for peace in Bosnia were frittered away by what Edward Mortimer of the Financial Times calls "a general U.S. halfheartedness about international commitments, particularly those with a military ingredient, which is generating a lot of insecurity, especially in Central Europe."

To get the most mileage out of the

new opportunity, the Clinton administration must go beyond a readiness for timely and well prepared NATO air strikes in other cities. Especially now that the Russians have come to Bosnia, Washington needs to match them and the Europeans in providing ground troops to reinforce international diplomacy. Then at the least the president should ease the terms for provision of American peacekeepers in a settlement. The terms currently in effect would seem to limit policing to circumstances so tranquil that they don't need to be policed.

There should also be a way for the United States to use the new spy flap to advantage in Bosnia. The disclosure that an American CIA employee and his wife allegedly spied for Russia — not just for the old Soviet Union — allows Washington to argue plausibly that Russia is in a deep hole with American public as well as official opinion and that the way for Moscow to get out of that hole is to show itself a worthy partner of American diplomacy in Bosnia.

Only a few weeks ago, after all, President Clinton was in Moscow ostensibly knitting up with Boris Yeltsin a broad plan for complementarity and cooperation in foreign policy as well as in Russian domestic reform. Some were prepared to hail the summit as the president's principal achievement abroad. Surely the assurances of support and respect that Presidents Clinton and Yeltsin exchanged in January remain alive and available in February.

The Washington Post

## China: The Rights Record Favors Carrots, Not Sticks

By James R. Lilley

SINGAPORE — It is folly for the Clinton administration to link most-favored-nation trade concessions to China's human rights record. The policy is born of domestic U.S. pressure, misguided idealism, poor tactics and double standards. It displays an ignorance of Asian history and of Asian sensitivities.

Has America's strident and accusatory human rights policy worked? In a major new report, the human rights group Asia Watch concludes

China is moving toward a more open society in its own way, not in response to crude outside pressure.

That repression in China has increased since January 1993. Indeed, 1993 was the worst year for human rights since the suppression of the democracy movement in 1989.

The United States, with its conditional policy on favored trade status, is telling China that it must not jam foreign radio broadcasts, it must deal with dissident minorities in a way approved by Washington, and it must account for all political prisoners and open prisons to U.S. inspection.

What is the best way of ensuring that democracy evolves in China? Is it in trying to enforce such conditions? Is it in bettering the lot of the average Chinese by making it possible for him to be fed, clothed and sheltered, to change jobs, to watch international television programs? Is a secret vote more important to him than feeding his child? Will the United States decide that for him?

In effect, the U.S. trade conditions tell the Chinese: If you do not let American broadcasts into the country, we will threaten the livelihood of your workers by halting our imports of goods made in their factories. This is not the kind of dialogue to have with the world's largest country.

There are, of course, human rights abuses on a grand scale in China. The United States must address them squarely. China has criticized America for its failings, just as America now criticizes China. But Beijing has yet to sanction America.

Torture, arbitrary imprisonment and religious persecution in China, and brutality in Tibet, offend Americans deeply. However, brave Chinese are struggling for increasing democracy inside China. The efforts outside China are less noble.

The United States has in the past successfully addressed democracy in Asia, not as an American imposition, where it generally failed, but in those places where it grew from indigenous roots and was given encouragement.

China has adhered on paper to international accords on human rights, including torture, treatment of prisoners and genocide. As a UN member, it is obliged to adhere to the Universal Declaration of Human Rights.

Beijing has voted for UN investigations of human rights violations in China. In Hong Kong, Beijing agreed to allow the international covenants on civil and political rights and on economic, social and cultural rights to remain in force for 50 years after the colony reverts to Chinese control in 1997, although China itself, like the United States, has not acceded to these covenants.

Rather than seek to impose new

unilateral conditions, the United States should work through multilateral channels to ensure that existing international agreements on human rights are implemented. The United States should also pay attention to the indigenous human rights organizations working in Asia.

Moves toward the rule of law and the increasing power of the National Peoples' Congress augur well for China's political future. Workers' rights are beginning to enjoy legal protection. Communist Party work units are disintegrating, in southern China, where free-market growth is strong. A new identification system allows greater mobility for ordinary Chinese. Previously arbitrary tax procedures have now been codified.

China is moving toward a more open society in its own way, not in response to crude pressure from outside. In 1990, more than 800 Chinese were arrested; martial law was lifted in Beijing and Tibet; and the so-called instigator of the democracy protests in Tiananmen Square was released, along with his family. This contrasts with token releases of Chinese political prisoners in 1993.

The loud, pushy American approach to human rights in China has not worked. The lower-key approach taken by President George Bush was more effective.

There must be a lesson here for the Clinton administration. The United States should adopt a three-pronged approach to democracy and human rights in Asia. It should pursue constructive engagement on a broad front — economic, political and cultural. Such a course offers the best chance for bringing positive change.

Serious human rights infractions

should be dealt with multilaterally, not unilaterally. American should focus its support for democracy on states and territories where democracy already exists, such as Thailand, Malaysia, the Philippines, South Korea, Hong Kong and Taiwan.

The writer, who was an assistant secretary of defense for international security in the Bush administration, is director of Asian Studies at the American Enterprise Institute, in Washington. He contributed this comment to the International Herald Tribune.

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## Russians Have More To Achieve

By William Pfaff

PARIS — It is not a bad thing that Russia has "returned" to the Balkans. Its intervention in the Sarajevo siege has been constructive, opening the way to a possible lifting of the sieges of other Bosnian cities and perhaps even to an eventual armistice or provisional settlement of the war.

The Russians in any case were never excluded from the Balkans. They will always be there by virtue of religious and cultural connections with Bulgaria, Serbia, Romania and Greece, and because of Russia's historical role in bringing about recognition of the national autonomy of all these peoples in the early 19th century.

Until now, the threat of overt Russian support for Serbia, and of possible use of the United Nations veto to countermand Western initiatives, has blocked a certain kind of thinking about Balkan solutions. The Russians now have committed themselves to cooperation at Sarajevo, and they have profited considerably from doing so. They have much to gain by continuing on the cooperative course.

Boris Yeltsin's spokesman said on Monday that "without firing a shot, without threatening anyone or endangering one of its soldiers, without even spending a single ruble, Russia has obtained a very important victory for its standing in the world." This is a healthy claim, but true.

But the Russians have assumed a responsibility that they cannot easily shed. They say that military ultimatums are not the way to solve the Yugoslav crisis. The Western powers now urge that Moscow produce results by better methods.

In short, their presence is an asset, if the Western governments are as astute enough to make use of them.

The Serbs, in their collective paranoia, need Russian reassurances in order to make concessions. Threat alone might have made them retire their heavy weapons from Sarajevo, but it is also possible that, in their conviction that they possess the power to bring a third world war down upon their heads, they would have defied NATO. Russia's intervention has spared everyone that.

In a letter to Western leaders last weekend, Boris Yeltsin warned against carrying out the NATO ultimatum. But in a simultaneous letter to Belgrade he "demanded" that the Serbs yield. Russia's historical position and influence are what made it possible for the Serbs to interpret their Russian-enforced retreat from Sarajevo as a great victory. It is a good thing when those who retreat can be convinced that theirs is a victory.

The Bosnian Serbs would like to see the Serbian withdrawal as a victory for Bosnia. The endurance in hardship and suffering of Sarajevo's people is what forced Americans, French and the other more interventionist Europeans, such as the Dutch, finally to threaten (effectively) to enter the war on Sarajevo's side, with America threatening open support for Bosnia. That, at last, had an effect.

However, the people of Sarajevo now wonder if the United Nations will become their new jailers, with the city, and their country, parceled up into ethnic enclaves. They fear that the principle of secular, nonethnic society, for which they have been fighting, may finally be ended — by the international community itself.

It is quite possible. The international community from the start has been incapable of getting out of its collective mind the idea that ethnic self-determination, on the 1918 Wilsonian model (which is the Serbian and Croatian model today), is the solution for Balkan and Eastern Europe. In fact, it is the model that everyone should have been struggling against.

The last resource of the Sarajevians is irony. The true now installed is for them not war, but the end of the shooting is halted, but it is also almost to become a new version of the old war. One young woman is quoted by a French reporter as asking if the people of Sarajevo "are not guinea pigs in a cage, on whom Serbs, UN, NATO — the whole world — conduct experiments in international politics. Your governments should be content now. You have invented war without guns, invisible war."

The Bosnian President's special counselor, Kemal Murtic, remarks that the United Nations' ineffectual resolutions on the crisis in the past are least distinguished between aggressors and victims. Now the United Nations seems to be treating everyone the same. In that case, Bosnia has lost both the visible and the invisible wars, and Sarajevo should have surrendered two years ago.

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## Valencia's Festival Of Fire

### In Mid-March, Artists' Works Go Up In Flames

By Al Goodman

VALENCIA, Spain — Imagine a city that will spend \$3 million this year to commission hundreds of works of art and then burn them, on the night of March 19, in front of huge crowds, accompanied by exploding firecrackers.

You call that crazy? In Valencia, they call it Las Fallas, the fiesta of fire. In a city renowned for public parties — like the one in July when people throw flowers at each other — Las Fallas is by far the most popular festival and certainly the biggest, bawdiest and most boisterous.

"If noise bothers you, it's better not to come," said a local reporter, Moises Dominguez, referring to the fireworks, brass bands and the half-million visitors who flock to this city of 750,000, the third largest in Spain, March 15 to 19.

Yet the loud music and explosions, which start daily at 8 A.M. and continue well past midnight, are just the accompaniment to the fallas themselves: 736 brightly-painted, mixed-media sculptures of humans, animals and objects that parody or pay homage to contemporary life.

Margaret Thatcher and Ronald Reagan were favorite subjects in their heydays for falla caricatures. Because of the scenery surrounding the falla workshops, it is difficult to tell which world figures will get roasted this year.

The European Union routinely is a target of falla artists. The EU once was depicted as a dirty toilet adorned with 12 flags, and another time as a vampire sucking the blood out of the pristine new member Spain, depicted as a beautiful nude woman.

The festival dates to medieval times when Valencia's carpenters burned crude wooden T-shaped frames that held winter lamps and unneeded wood shavings on March 19 to honor St. Joseph, the patron of carpenters.

Some falla chroniclers interpret the ritual burning as a cleansing process on the eve of spring. The festival has grown steadily in size and stature since the 1940s. Salvador Dali designed a bullfight falla in 1954 that included, not surprisingly, his own face.

The largest falla this year rises to 30 meters (98 feet), took nearly a year to make and cost \$136,000. It will be on display for four days in city hall plaza before it is consumed by flames in only about 30 minutes on the fateful "night of fire." The sculpture, by veteran José Martínez Mollá, commemorates the 50th anniversary of the falla artists' guild.

Martínez has won the contest to design the giant falla at city hall plaza for the past five years. He said the burning of his creations, which he always watches, leaves him with a sense of pride. But to hedge his bets, Martínez also sculpts in mixed media that will not be ignited at the fallas. Ditto for dozens of other guild members whose large workshops are clustered in a working-class Valencia district.

These workshops also have created floats for Mardi Gras in New Orleans and storefront designs for Euro Disney near Paris.

Valencia's 369 neighborhood-based falla "commissions" raise money throughout the year to order fallas of all sizes from the artists. Work begins in the spring. Fallas once were patched together from old cloth or wax. But modern versions involve meticulous designs and scale models before construction, using wood strips, or clay and



One of the hundreds of elaborate "fallas" burned each year in March.

plaster molds that yield cardboard and papier-mâché-type figures.

The fallas are placed in public squares and intersections on March 15. Special juries view them on March 16 to decide on dozens of awards, the most important being the "special section" prize.

The fiesta's main religious component occurs on March 17 and 18, when locals march in traditional costume to the plaza next to the cathedral. The flowers they carry are arranged on a tall wooden frame into an image of the Virgin of the Forsaken (Desamparados), Valencia's patron.

Meanwhile, neighborhoods overflow with paoles, the local specialty, while fireworks crackle and pop endlessly. The biggest explosions are daily at 2 P.M. in city hall plaza, where a show lasts 10 minutes. The gunpowder employed in the past blew out windows in the vicinity before authorities limited the potency of the blasts.

Fireworks cause dozens of minor injuries annually, most of them treated on the spot by

medical crews on standby around the city. The fiesta's culmination on March 19 allows the nimble-footed visitor to see only a few fallas being burned, because the torching starts at midnight around town, when hanging firecrackers explode in chain reaction to ignite the fallas doused with flammable liquids.

At city hall plaza, Dominguez recommends getting a spot on Calle Barcas for a good view, a few hours before the 1 A.M. (March 20) torching of the biggest falla.

Yet each year a few smaller fallas, are "pardoned." The public votes to save one that is well-crafted, which is sent to city government's falla museum. The falla artists guild selects a few others for the guild's Museo del Artista Fallero, which is open daily.

Valencia's tourist office, which does not handle hotel requests, is in the city hall building on Plaza del Ayuntamiento 1. Tel: (34-6) 351-0417. Request the program guide to Las Fallas.

Al Goodman reports from Spain for CNN.

## New Life for 2 Berlin Landmarks

By Craig R. Whitney  
New York Times Service

BERLIN — Two extraordinary buildings in Berlin — the Protestant cathedral, built as the court church of the German emperors, and the gold-domed New Synagogue, which the Nazis set ablaze during Kristallnacht, have risen from the ashes to bear spiritual witness to the German past.

The restoration of both structures, in the center of the city on what used to be the Communist side of the Berlin Wall, symbolizes Berlin's hope to be restored as the cultural and political capital of free Germany when the government moves here at the end of the century. Yet both places, within a short walk of each other, are poignant reminders of how badly wrong things went the last time Berlin was the capital.

The cathedral, a late-19th-century attempt by the Hohenzollerns to match the glory of St. Paul's and Westminster Abbey in London, was badly damaged in World War II but reopened in June after an 18-year reconstruction project that was partly financed by the German government in Bonn.

The synagogue's exotic golden dome, topped by a gilded Star of David, was restored in the summer of 1991 and now rises high over the Oranienburgerstrasse, three blocks north of the cathedral. The rest of the building is still under construction as a center of Jewish culture, and will open next year.

Both restorations began when this part of Berlin was under Communist rule, a fact forgotten by many now that the city is no longer divided. But reminders of the past are as inescapable as the peckmarks and chunks still missing from the blackened stone mass of the cathedral even now that the interior has been restored to its gilded original state.

The synagogue was set ablaze during the Nazis' 1938 Reichskristallnacht in November 1938. It was not destroyed then because a German police superintendent, Wilhelm Krutzfeld, arrived on the scene and chased away the storm troopers who had set fire to the building.

An architectural curiosity since its construction in the 1860s — a brick and terra-cotta structure in a style meant to bring Moorish architecture to mind — the building bears over the main entrance an inscription in Hebrew: "Open ye the gates, that the righteous nation which keepeth the truth may enter in" (Isaiah 26:2).

In 1866, there were 28,000 Jews in Berlin, then a city of about 700,000. The exotic and opulent Reform synagogue reflected their economic success, and their pride in it, and it soon attracted anti-Semitism.

Heinrich von Treitschke, the nationalist German historian, wrote 13 years later, that the most beautiful and impressive house of worship in the German capital was a synagogue, a fact that proved to him that Jews were more powerful in Germany than anywhere else in Europe. The synagogue remained at the center of Jewish life in the city

until the 1930s. After 1933 the synagogue became a target for the Nazis. The last religious services were held in the building, which had been repaired after Kristallnacht, in 1940. The German Army used it afterward as a uniform depot, until it was destroyed in an Allied bombing in November 1943. In 1945, when the Russians marched in and occupied this part of Berlin, only a handful of Jews were left in the city.

In 1966 the Communists permitted the small Jewish community in East Berlin to put a plaque on the building declaring the facade a place of solemn remembrance forever. But not until 1988 did Erich Honecker, the last East German Communist leader, permit the start of the synagogue's full restoration as a Jewish center.

It was not religion the atheistic Communist regime was interested in, but its own reputation of being supportive of Jewish culture — itself unusual for a state that

wanted something to show off the power of their dynasty after his predecessor, Wilhelm I, and Bismarck had created the German Empire.

No effort was spared. Turrets, triumphant statues, columns, capitals and porticoes pile on top of each other on the grey granite exterior, across the extension of Unter den Linden from where the Hohenzollerns' royal palace used to stand.

The Kaiser's cathedral, designed by Julius Carl Raschdorff, was completed in 1905, after 11 years of construction. The tin and marble sarcophagi of most of the dukes and kings of Prussia whose family had lived in Berlin since the 15th century were transferred to a crypt the architect hoped would turn out to be drier than its predecessors, frequently flooded by the Spree. The most important stood in the monument chapel above the crypt, and here, too, was an imperial statue of Bismarck, in a tower, the remains of which were destroyed in 1975.

But Kaiser Wilhelm was never laid to rest in his cathedral. World War I ended his reign and his dynasty's in 1918, and he died in exile in Holland. The Protestant church began a period of decline that accelerated after the Nazis took power in 1933. Heavy Allied air bombardments beginning in 1940 left the cathedral a decapitated ruin in 1945: the dome collapsed into the main sanctuary below and the crypt chapel was so heavily damaged that it was demolished.

### The gold-domed New Synagogue and the Protestant Cathedral have been restored.

pretended that only West Germany had inherited responsibility for the crimes of the Nazis. Honecker attended the laying of a symbolic cornerstone in November 1988, and within a year he and the Communists were out of power and the Berlin Wall, only a few hundred feet away, crumbled.

With German reunification, it became easier for western Germans to contribute to the restoration. But the Jewish community in the eastern part of Berlin remains tiny. The interior will be only partly restored, and the project is not expected to be completed before May 8, 1995, the 50th anniversary of Berlin's liberation by the Red Army.

The Moorish-style sanctuary, a large auditorium with soaring arches, columns, and skylights, and a balcony on three sides for female worshippers, will not be re-created, at least for now, said Hermann Simon, director of the foundation that is financing the restoration of the synagogue. A modern museum of Jewish life in Berlin will occupy part of the former vestibule. The outlines of the sanctuary behind it will be marked on the ground and visible from a glass wall on the street.

While the interior remains a construction site, the exterior facade is complete. A broad and textured polychrome structure of yellow brick and fired terra-cotta, it rises to support the great central silver dome, overlaid with gold tracery, and flanked by two smaller minaret-like silver and gold cupolas on towers. The Jewish Community House next door has periodic historical exhibits on Jewish life in the capital and memorabilia.

The 375-foot (115-meter) high copper-sheathed dome was clearly inspired by the much bigger one at St. Peter's in Rome, but the Berlin structure is not quite 100 years old. Kaiser Wilhelm II and his courtiers

THOUGH downtown Berlin around the ruin was nearly unpopulated until the Communists built new housing projects, church authorities maintained the parish and, in 1974, persuaded Honecker to let the building be restored, at West German expense. "It was a controversial project for several reasons," said Hermann Kalinka, a Protestant Church official in Bonn. "It wasn't easy to justify the rebuilding of the imperial Wilhelm church. But it was part of a package agreement between the church, the West German government, and the East German authorities that allowed us to restore other old churches and build a few new ones in East Germany for the same sum-it cost to restore the cathedral."

Most of that amount, the equivalent of \$63 million, was provided by the church in West Germany and the government in Bonn, while workers for the project were provided, mainly by the East Germans, until 1989. The work on the main building was finished in June, though it is still going on in the crypt.

## FEAR THIS

■ Annals of marketing: A Washington wine maker whose sweet white wine went bad has turned it into sherry under the name "Faux Pas '83," the Associated Press tells us. At your own risk: L'Ecole No. 41 Winery, west of Walla Walla, Washington, from April, under \$15 a bottle.

## THE MOVIE GUIDE



Austin O'Brien, Chlumsy in "My Girl 2."

### "My Girl 2"

Directed by Howard Zieff, U.S.

Anna Chlumsky, who is like sunshine on a cloudy day, deserves the potential franchise that began with 1991's "My Girl." Chlumsy is such a wonderful actress, you can imagine sequels for decades ahead. Now 13, Vada Sultenfuss (Chlumsky) is at one of those crossroads of adolescence that seem particularly innocent because of the movie's setting, a small Pennsylvania town in 1974. Her father Harry (Dan Aykroyd) and stepmother Shelly (Jamie Lee Curtis) are about to provide Vada with a

sibling, and the anticipation of that event provokes myriad feelings. But it's a school project that provides Vada with a purpose. Assigned to write about "someone who's achieved something worth writing about but someone you've never met," Vada decides to write about her mother, Maggie Muldovan, whom she knows little about. After a whirlwind courtship and marriage to Vada's dad, and a difficult pregnancy, she had died at Vada's birth. Her life as a young actress chronicled in a few playbills and knickknacks collected in a small box clearly treasured by Vada. Vada turns out to be a Young Miss Marple, tracking down classmates, teachers and others who touched on her mother's brief life. The sweetness of the film is that these gradual revelations illuminate a vibrant young woman who both followed her muse and served as one — not unlike Vada herself, as it turns out. "My Girl 2" is clearly about roots and the journey to self-discovery. At 13, Chlumsky is blessed with a subtle beauty that's still budding. Her smile is offhandedly charming, her eyes sparkle and she holds herself with a convincingly awkward assuredness. (Richard Harrington, WP)

Billed as a comedy about a hapless bunch of army recruits who become heroes, this film could better be described as a tragedy for the viewer who sacrifices 90 minutes and the price of admission. The script is based on the writings of a veteran contributor to Spain's leading satirical magazine, El Jueves, which is published on Wednesday, not Thursday as the title suggests. But while the magazine often captures the best of hard-edged Spanish wit, the movie comes up empty-handed. The five recruits and their bungling sergeant (Juan Echanove) are sent on a secret mission. But we never really learn what the mission is or why a trio of Japanese terrorists masquerading as tourists want to steal a compact disk at a NATO military installation in Spain. Could the CD contain a prized collection of Julio Iglesias hits? The film is full of the lowest attempts at humor and of women who can't wait to get undressed for the soldiers. To top it off, there is an imitation of the "Rambo" character. But even Sylvester Stallone is funnier. (Al Goodman, IHT)



Albert Brooks and Nick Nolte in "I'll Do Anything."

Historias de la Puta Mill Directed by Manuel Esteban, Spain.

"I'll Do Anything" Directed by James Brooks, U.S.

near-musical about an out-of-work actor and his scary little daughter. This time, the filmmaker turns his attention to Hollywood, which he presents as a place ruled by insane paradox. But self-important as they are, the high rollers live and die by the opinions of moviegoers. It's true that common folk inspire nothing but contempt in Burke Adler (Albert Brooks), a producer. But it's also true that Adler quails over the results of audience preview cards. In the course of the story, those cards lead to the drastic cutting of Adler's latest action picture. It's almost fitting that "I'll Do Anything" has come to illustrate the satirical premise, since this film lost its musical numbers after a preview audience delivered a thumbs-down verdict. The film's main character is Matt Hobbs (Nick Nolte), who reveals himself in a prologue. In 1980, as a nominee for a best-actor award, Hobbs didn't really mind when somebody else won. He is hopelessly out of sync with any of the cutthroat people who might hire him. When he does land a job, it's that of playing chauffeur to Adler. As the film gets going, Matt takes on an added responsibility: care of his 6-year-old daughter, Jeannie (Whitney Wright). Jeannie is nominally Matt's child, but she may just be the demonic offspring of the movie community. Tough, scheming and manipulatively adorable, Jeannie makes a terrifyingly perfect show-biz kid. (Janet Maslin, NYT)

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37 In a managerial position to  
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42 "Steve Allen Show" veteran  
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44 Hyde Park sight  
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53 Where one is in the stadium?  
56 Personal revelation?  
58 Stove stuffing  
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25 Tiptoe's opposite  
28 Fly like a flying saucer  
29 Works  
31 Display  
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33 Is attracted  
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38 This puzzle's punning theme  
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41 Make a proposal  
47 Sergeant major: Abbr.  
48 "Brighton Rock" novelist  
50 Say "I do" again  
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56 Time in "Julius Caesar"  
57 Boole-boole chessers  
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# LEISURE

## THE ARTS GUIDE

### AUSTRIA

**Vienna**  
Kunsthaus Wien, tel: 712-0485, open daily. Continuing To May 1: "Le Corbusier, The Architect." Charles-Edouard Janneret, The Painter. As an architect, Le Corbusier (1893-1965) became world famous, as the painter he remained Charles-Edouard Janneret. The exhibition features 150 drawings, paintings, sculptures, architectural models and tapestry.  
Kunsthistorisches Museum, tel: 52-177, closed Mondays. Continuing To May 25: "Isabella d'Este: La Prima Donna del Mondo." Paintings by Correggio, Mantegna, Perugino, antique cameos and bronze statues, ceramics, drawings, coins and medals commissioned or acquired by the Renaissance princess.

### BELGIUM

**Brussels**  
La Monnaie, tel: (2) 218-12-11. A new production of Rossini's "Otello." Directed by Luca Ronconi, conducted by Gianluigi Gelmetti, with Christa Mennin and Lella Cubelli. March 5 (premiere), 8, 10, 13, 16, 19, 22, 24 and 27.  
Musée Royal d'Art et d'Histoire, tel: (2) 741-7211, closed Mondays. Continuing To April 17: "Miniatures Mogholes de l'Inde." Miniatures from the New Delhi museum, depicting life under the Mogul emperors.

### BRITAIN

**Edinburgh**  
Royal Museum of Scotland, tel: (31) 225-7534, open daily. To April 17: "The Birth of Democracy." Discoveries from archaeological excavations of the Agora in Athens. The exhibition contains coins, decorated pots and artifacts from the daily life of ancient Athenians, as well as a clepsydra used in Pericles' time to limit the speaking time of lecturers.

**London**  
National Gallery, tel: (71) 899-3529, open daily. Continuing To April 10: "Claude: The Poetic Landscape." 25 paintings and 50 drawings by Claude Lorrain, the 17th-century French painter. London.  
Royal Academy of Arts, tel: (71) 439-7438, open daily. Continuing To April 2: "The Unknown Modigliani." More than 400 drawings by Amedeo Modigliani from 1908 to 1924. Continuing To April 8: "Pursuit of the Absolute: Art in the Ancient World." 300 masterpieces from the George Ortiz collection, including Sumerian carvings, Egyptian sculptures and Greek bronzes, vases and jewelry.

**Tate Gallery**, tel: (71) 887-8000, open daily. Continuing To May 8: "Picasso: Sculptor/Painter." 168 sculptures, paintings, drawings and ceramics.  
**Victoria and Albert Museum**, tel: (71) 598-8371, open daily. Continuing To April 10: "Faberger: Imperial Jeweler."

### CANADA

**Montreal**  
Musée des Beaux-Arts, tel: (514) 285-2000, closed Mondays. To May 1: "Duane Hanson." 30 hyperrealistic sculptures.

### CZECH REPUBLIC

**Prague**  
Castle Riding School, tel: (2) 33-32-32, closed Tuesdays. Continuing To March 27: "Recent and Contemporary Czech Painting From the State Gallery Collections."

### DENMARK

**Copenhagen**  
Louisiana Museum of Modern Art, tel: (45) 19-07-19, open daily. Continuing To March 6: "Claude Monet: Works from 1890 to 1926."

### FRANCE

**Paris**  
Centre Georges Pompidou, tel: 44-72-12-33, closed Tuesdays. Continuing To March 28: "La Déesse Vierge de Silve." Paintings, drawings and sketches on paper for the windows of a church in Reims. Also continuing To May 8: "La Ville: Art et Architecture en Europe 1870-1989." How the European towns of today were planned, perceived and idealized by architects and artists from the end of the 18th century to date.

**Institut du Monde Arabe**, tel: 40-61-38-38, closed Mondays. Continuing To April 30: "Syrie: Mémoires et Civilisation." Art objects covering the history of Syria from the 3rd and millennium B.C. to the early 20th century.

**Jeu de Paume**, tel: 42-50-50-50, closed Mondays. Continuing To March 13: "James Turrell." 30 paintings, drawings and 62 oils on paper, spanning the years 1957 to 1987.

**Musée du Louvre**, tel: 40-20-50-50, closed Mondays. To April 18: "Egyptomania: Egypte dans l'Art Occidental 1750-1950." Egypt as a source of inspiration in European artistic creation.

**Musée du Petit Palais**, tel: 42-65-12-73, closed Tuesdays. To May 28: "L'Art des Sculpteurs Talons: Chefs d'œuvre des Grandes Antilles Précolombiennes." Cult objects, statues, weapons and belts made by the aborigines living on Cuba, Puerto Rico and the Dominican Republic, at the time of Christopher Columbus.



"Woman in a Hat," by Picasso in a London show.

### GERMANY

**Berlin**  
Amerika Haus Berlin, tel: (30) 211-07-59. To March 18: "Lewis Baltz: Rule Without Exception." A retrospective of the work of the American documentarist, including photographs of tract houses at the foot of the Rocky Mountains, the wastelands near San Francisco Bay and inner city parking lots.

**Haus der Kulturen der Welt**, tel: (3) 97-87-0, closed Mondays. "Die Gärten der Welt." The garden as a metaphor for paradise in Islamic carpets, textiles, miniatures and woodcarvings from Indonesia to Africa.

**Frankfurt**  
Schirn Kunsthalle, tel: (069) 29-98-82-0, open daily. To April 17: "Goldstein, Schwert, Silber." 73 works including helmets, swords and silver treasures represent 6,000 years of Roman art's artistic heritage.

**Hamburg**  
Hamburgische Staatsoper, tel: (40) 35-88-454, closed Mondays. To May 2: "Silber und Gold: Augsburgs Gildeschatz." Silver and gold tableware created in Augsburg for the European courts in the 17th and 18th centuries. The exhibition includes a 30-piece Rococo set, as well as the gold set belonging to Anna, czarina of Russia.

**Kunsthalle Der Hypo-Kulturstiftung**, tel: (89) 22-44-12, open daily. To April 24: "Bernard." 140 oil paintings, a screen and seven sculptures. Includes interior scenes, views from his house in La Canet in southern France, still lifes, nudes and landscapes by the French Nabi painter.

### ISRAEL

**Jerusalem**  
The Israel Museum, tel: 972-2-708-811, open daily. To April 30: "Uwe Lischke: The Place, the Time and the Point." 70 posters and billboards by the German graphic designer.

### ITALY

**Milan**  
Teatro alla Scala, tel: (2) 80-91-60. Rossini's "Maestro II." Directed by Pier Luigi Pizzi, conducted by Gabriele Ferro, with Bruce Ford, Cecilia Sacchi, Samuel Ramey and Gloria Scacchi. March 8, 10, 13, 15, 23, 25, 27 and 29.

**Rivoli**  
Musée d'Art Contemporain, tel: (11) 958-7255, closed Mondays. Continuing To April 30: "Keith Haring." 150 paintings, drawings, sculptures and objects by the American graffitiist.

**Venice**  
Museo Correr, tel: (41) 52-05-288. Continuing To April 4: "Pietro Longhi." 50 paintings, 35 drawings and 14 prints by the 18th-century Venetian painter.

Phoenician, Roman, Visigothic, Mozarabic and medieval artifacts.

### SINGAPORE

**Empress Place Museum**, tel: 336-73-33, open daily. Continuing To July 1994: "War and Ritual: Treasures of the Warring States." An exhibition of Chinese bronze culture from the Warring States period (475-221 B.C.).

**National Museum Art Gallery**, tel: 3371-265, open daily. To March 13, 1994: "Pont des Arts: Nanyang Artists in Paris, 1925-1970." Features the early works of 21 artists from Singapore and Malaysia which were completed in France, as well as recent paintings.

### SPAIN

**Barcelona**  
Fundació Joan Miró, tel: (93) 328-19-06, closed Mondays. To April 10: "Amis: Four Background Landscapes 1975-1992." 122 drawings and works in mixed media produced by the Spanish painter while he lived in Morocco, Mexico, the United States and Barcelona.

**Fundació La Caixa**, tel: (3) 404-60-73, closed Mondays. To April 3: "Willem De Kooning." 50 oil paintings, bronze sculptures and drawings selected from the Hirshhorn Museum in Washington. The exhibition follows the Abstract Expressionist's career from his early figurative paintings, his explorations in Cubism, and his lyrical abstractions of the later years. The exhibition will travel to Atlanta, Boston and Houston.

**Valencia**  
IVAM Centre Julio González, tel: (6) 386-6000, closed Mondays. To April 24: "Rafael Hausmann." 250 works by the Austrian-born artist (1888-1971), a representative figure of the Bauhaus movement from 1918. The exhibition will travel to Berlin.

### SWITZERLAND

**Lausanne**  
Fondation de l'Hermitage, tel: (21) 320-50-01, closed Mondays. Continuing To May 1: "La Nouvelle Vague: L'Estampe Japonaise de 1663 à 1868." From a private collection, 160 Japanese prints by artists of the Meiji, Taisho and Showa periods.

**Musée de l'Elysée**, tel: (21) 617-48-21, closed Mondays. To March 20: "Photographie des années 1950." Photographs dating from the '50s and '70s from the collection of La Fondation Select. Includes works by Josef Koudelka and Cartier-Bresson.

**Zürich**  
Kunsthaus, tel: (1) 251-6755, closed Mondays. To May 8: "Richard Gerstl: Das Gesamtwerk." The influence of James Ensor and Edward Munch is evident in the works of Austrian Expressionist painter, Richard Gerstl (1883-1908). The exhibition features 160 paintings, drawings and prints, including a portrait of Arnold Schönberg and his wife, and self-portraits.

**Los Angeles**  
Los Angeles County Museum of Art, tel: (213) 857-6000, closed Mondays and Tuesdays. To May 1: "The Years of the West: The Years of the East." 40 paintings, drawings and prints from Picasso's depictions of the women in his life during a time of political upheaval. The exhibition will travel to New York and Chicago.

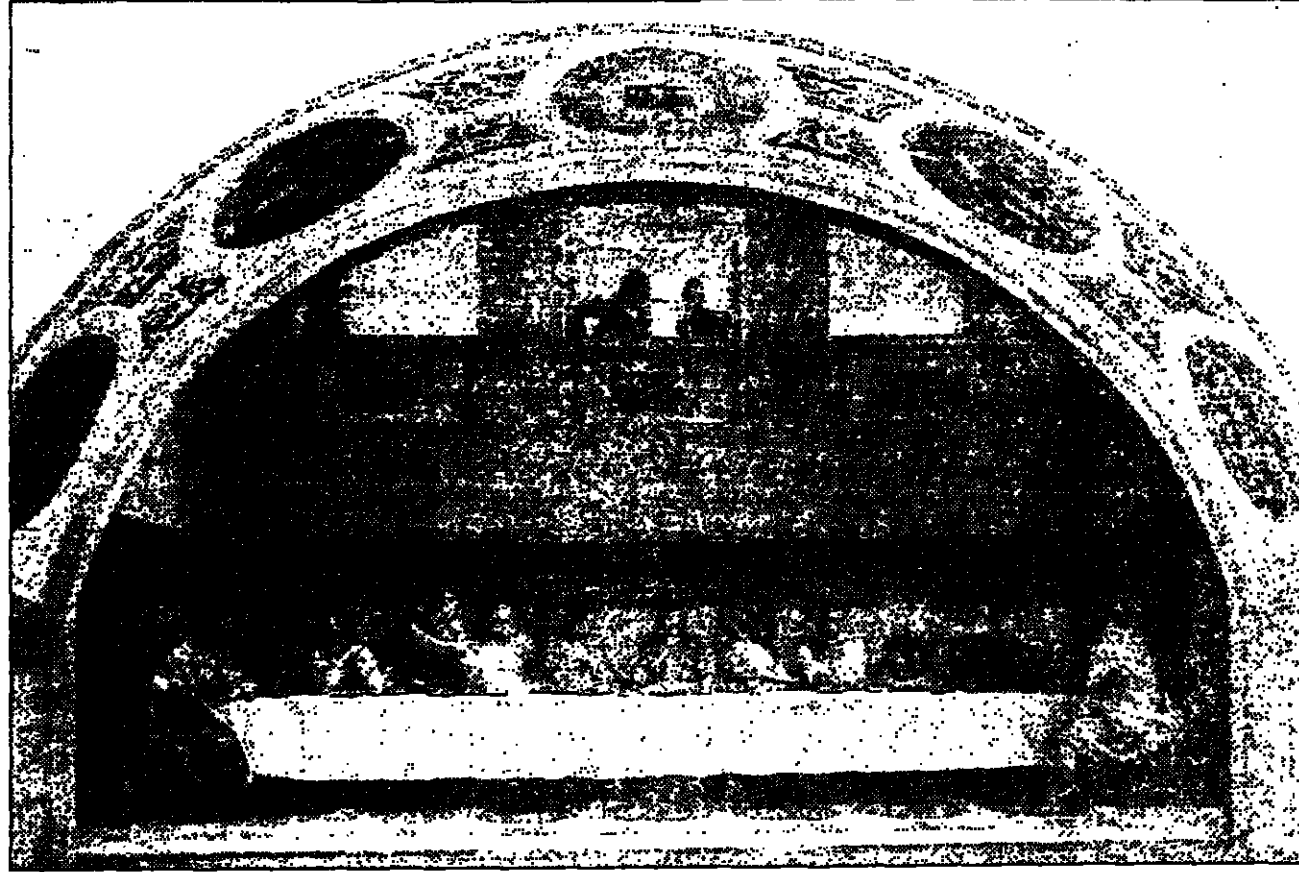
**New York**  
Metropolitan Museum of Art, tel: (212) 570-3551, closed Mondays. Continuing To April 3: "Degas Landscapes." 61 pastels, monotypes and oil paintings by Degas, many inspired by his journey through Burgundy in 1890.

**Museum of Modern Art**, tel: (212) 708-9750, closed Wednesdays. To May 10: "Frank Lloyd Wright: Architect." A retrospective devoted to Wright's 70-year career. It includes 350 original drawings, 30 scale models as well as photographs and architectural fragments.

**The New York Kunsthaus**, tel: (212) 529-5691, closed Saturdays and Sundays. To April 3: "Witnesses of Existence: Six Artists from Sarajevo." Installations produced by six artists from Sarajevo, often using material from the ravaged city.

**Washington**  
National Portrait Gallery, tel: (202) 357-2866, open daily. To April 24: "From Elizabeth I to Elizabeth II: Master Drawings from the National Portrait Gallery, London." Portraits of writers, politicians, artists, monarchs and soldiers by major British artists of the past 400 years. Among those represented are Gainsborough, Constable, Sargent, Moore and Kitaj.

**Lisbon**  
Museu Nacional de Arqueologia, tel: 352-0000. To Dec. 31: "Subterranean Lisbon." A display of archaeological finds in Lisbon's subsoil with



Andrea del Sarto's "Last Supper," executed in 1527, is at the convent of San Salvi.

## Last Supper à la Carte in Florence

By Ken Shulman

**FLORENCE**—The year was 1529, and the soldiers of Charles V were tightening their siege of Florence, destroying the homes, hospitals, and convents that blocked their march to the center of the city. When the French wreckers reached the convent of San Salvi they razed the church and its bell tower, but suddenly stopped their sabotage before a magnificent wall painting in the adjacent refectory, a painting that was simply too beautiful to be demolished.

"The man who led them," wrote Giorgio Vasari in his "Lives of the Artists," "abandoned what they had embarked on, and would not let any more of the place be destroyed."

The painting that stopped the French saboteurs was Andrea del Sarto's "Last Supper." Executed in 1527, it is the masterpiece of an artist whom Vasari once described as "the faultless painter," a composition of pictorial richness and happy naturalism that became the Tuscan response to the better-known Leonardo da Vinci "Last Supper" in Milan.

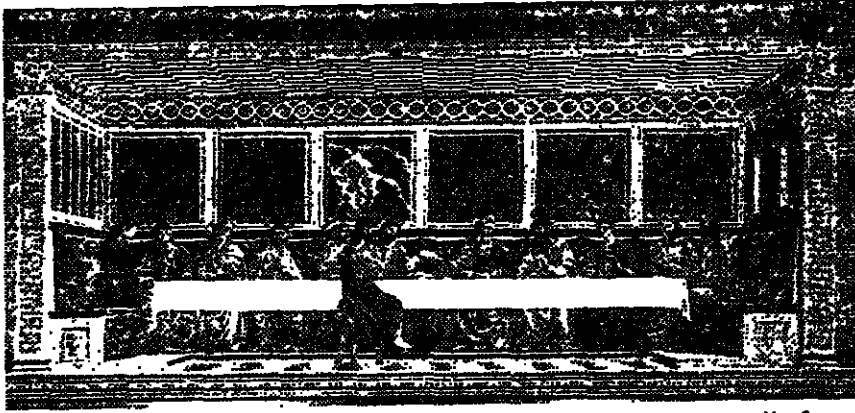
The refectories of many Florentine convents are decorated with the scene of the Last Supper. Known as *cenacoli*—after the areas where the monks or nuns took their meals—these Last Supper scenes depict Christ in the dramatic moment when he declares that one of his 12 chosen apostles will betray him.

For the religious orders, these frescoes were intended to transform the daily ritual of eating into a moment of religious contemplation and identification.

San Salvi is situated a few kilometers west of the center of Florence, but the Andrea del Sarto mural is well worth the 10-minute taxi or bus (numbers 3 and 6) journey. The Andrea del Sarto *cenacolo* is open Tuesday through Sunday from 9 to 2 P.M. Admission is 3,000 lire (about \$1.80).

Within the city center, there are many *cenacoli* that can all be visited on foot within the space of a leisurely morning. Here are three of the finest:

**Taddeo Gaddi, "The Last Supper,"** Museum of Santa Croce.



Andrea del Castagno's "The Last Supper," in the Santi'Apollonia Convent.

This is the oldest *cenacolo* in Florence. Gaddi was the most intelligent and faithful of Giotto's students, and the Santa Croce "Last Supper" is his finest work. Painted in 1340 in this Franciscan convent, the Gaddi *cenacolo* is a large, single fresco that incorporates the Last Supper, the Tree of the Cross, and four separate scenes from the life of Saint Francis.

In an ambitious if not wholly successful perspective scheme, the Gaddi "Last Supper" unfolds in an expanding space that draws the viewer into the scene. The painting is ripe with symbolism, particularly in the scene of the crucifixion, where the cross becomes a tree of life and salvation whose branches bear the fruit of the prophets who foretold the coming of the Messiah.

Open 10 A.M. to 12:30 and 2:30 to 6:30 P.M. 3,000 lire. Closed Wednesdays.

**Andrea del Castagno, "The Last Supper,"** Santi'Apollonia Convent.

Not far from the church of San Marco, Andrea del Castagno's "Last Supper" is a textbook execution of formal Renaissance composition and geometry. Like Gaddi's painting, Castagno's *cenacolo* is a composite of scenes, including a monumental Last Supper, and the scenes of the crucifixion, deposition and resurrection of Christ.

But the century that separates Castagno from Gaddi—the Castagno *cenacolo* was

pointed between 1445 and 1450—was one in which perspective evolved from an approximate art to an exact science, a science in which Castagno excelled. The apostles represented in Castagno's "Last Supper" appear as solid, weighty blocks, as if they had been sculpted out of marble. The setting, too, has been changed, from the humble tavern to an opulent, classical Roman noble home.

Open 9 A.M. to 2 P.M. Free. Closed Mondays.

**Domenico Ghirlandajo, "The Last Supper,"** Church of Ognissanti.

Located a few steps from the Excelsior Hotel, Ghirlandajo's *cenacolo* is less dramatic than Castagno's monumental composition and less moving than Gaddi's sensitive rendering at Santa Croce. Ghirlandajo, a prolific, able decorator who once regretted that he was unable to fresco the entire expanse of Florence's city walls, represents a world of naturalism in his 1480 fresco.

Set in a realistic, upper-class late-15th-century Florentine home, Ghirlandajo's "Last Supper" provides an excellent example of the fashion and customs of his time.

Open 9 to noon. Free. Closed Sundays.

Ken Shulman is an American writer based in Italy.

## A note to our readers.

To help the International Herald Tribune find out more about its readers, please look for the 1994 IHT Reader Survey Questionnaire which will be running in the newspaper for 6 days as of next Monday, 28th February. Your input will be extremely valuable to us.

If you would like to read about you, the IHT reader, results of the survey will be published in the International Herald Tribune in several weeks' time.

Thank you in advance for your help.



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**Thursday's Closing**  
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一、本會為維護會員權益，特訂定本會章程，凡加入本會者，均須遵守。  
 二、本會之宗旨，在於促進會員間之交流與合作，共同發展，並為社會公益服務。  
 三、本會之組織，由會員大會、理事會及監事會組成。  
 四、本會之經費，由會員繳納會費及社會捐助組成。  
 五、本會之活動，包括學術研討、文化講座、社會服務等。  
 六、本會之會員，享有選舉權、罷免權、創制權、複決權及提案權。  
 七、本會之會員，應遵守社會公德，不得有損害本會名譽之行為。  
 八、本會之章程，經會員大會通過後，即行生效。  
 九、本會之章程，得隨時修改，但須經會員大會通過。  
 十、本會之章程，自公布之日起施行。

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1947年11月15日，在日内瓦会议上，中国代表团的代表们，在讨论中国代表权问题时，曾提出过一个“双重代表权”的提案。这个提案的主要内容是：在联合国中，中华人民共和国政府是代表全中国的唯一合法政府，但同时，台湾当局也可以以“台湾”的名义，在联合国中享有代表权。这个提案的提出，是符合国际法和国际公理的。但是，美国代表却无理地阻挠这个提案的通过，并企图在联合国中制造“两个中国”的局面。美国这种霸权主义和强权政治的行径，是国际法所不容许的。



# BUSINESS

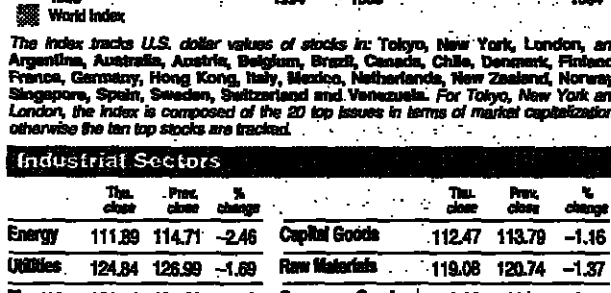
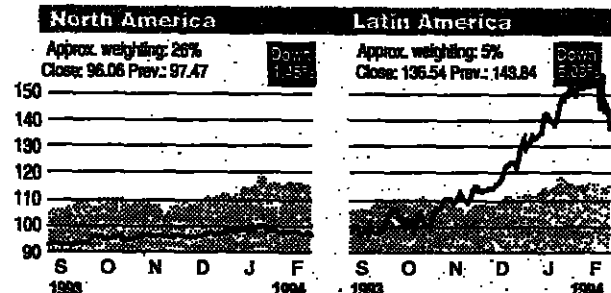
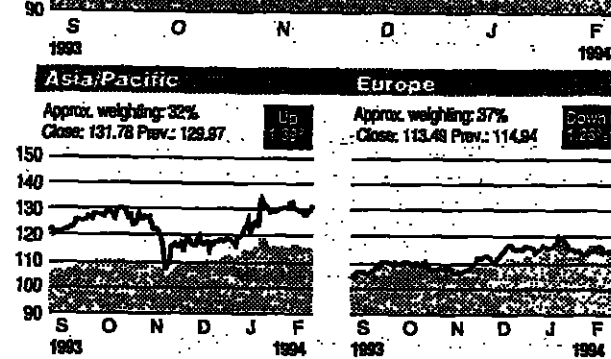
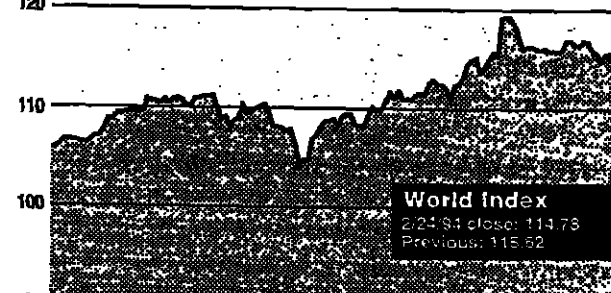
International Herald Tribune, Friday, February 25, 1994

Page 11



## THE TRIB INDEX: 114.78

International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



Industrial Sectors	Th. close	Prev. close	% change
Energy	111.89	114.71	-2.46
Utilities	124.84	126.99	-1.69
Finance	121.04	120.33	+0.59
Services	123.02	124.42	-1.13

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

## Failed Merger Muddies Highway

By Lawrence Malkin

International Herald Tribune

NEW YORK — Mutual recriminations filled the air Thursday over the collapse of what was to have been history's largest communications merger, leaving the industry divided over whether this was only a pothole on the information superhighway or a serious detour.

Some construction delays were a certainty. Bell Atlantic Corp., the most aggressive of America's regional telephone companies, and Tele-Communications Inc., which serves one-quarter of the country's cable-television subscribers, announced Wednesday night they were walking away from the deal they had announced Oct. 12 to swap stock then worth \$33 billion.

Since then, the stock of both companies has dropped — Bell Atlantic's by about 24 percent and TCI's by about 22 percent — which changed the equation so much that both Raymond W. Smith, the chairman of Bell, and John C. Malone, the entrepreneur who pushed his cable company into 49 states, tried to renegotiate the deal and failed.

One Bell executive likened Mr. Malone to someone who had put his house up for sale, saying, "If the value suddenly drops, you take it off the market and wait for better times."

Both blamed the breakdown on Tuesday's long-expected decision by the Federal Communications Commission to cut rates of all

local cable television monopolies by about 7 percent.

How much the FCC was to blame was a matter of angry contention — all the cable companies accused it of robbing them of revenue with which to invest for future growth — but it certainly changed the arithmetic of the deal.

The merger was predicated on pricing TCI stock at \$35 a share, which meant Bell Atlantic would be paying about 11.75 times the cable company's cash flow. TCI sank steadily from its Oct. 14 peak of \$32.875 to \$25.125 last Friday, at which time, a Bell executive said, "We crunched new numbers and they just didn't add up."

On Thursday, after the deal unraveled, Bell Atlantic stock rose \$1.75 to \$54.50 and TCI fell \$1.625 to \$22.625. Stocks in phone-equipment companies fell, and the end of the euphoria about the industry helped drive down prices on Wall Street. (Page 12)

James Cullen, president of Bell Atlantic, told a phone-in news conference — which was blocked for about half an hour by busy signals because the phone company had not ordered enough lines — that "while we will still build the information superhighway, the reality is that this slows it down a bit."

He said the FCC decision "changes the cash flow and alters the investment model for the industry." During the past year, he calculated, cable companies' cash flow had de-

clined from 12 percent to 10 percent or even 8 percent because of tighter regulation and competition from other sources.

John Waller, a cable broker in New York, said he had no doubt that eventually there would be "four or five big companies offering cable television, movies and interactive communications across boundaries, which is what we mean by the information superhighway." The latest developments, he said, represented a "bump in the road."

Mergers will be suspended, he said, until all sides can calculate the cash-flow effects of federal regulations on individual companies.

Robert B. Wilkes of Brown Brothers Harriman & Co., foreman of the pressure on Congress to pass legislation dismantling some of the barriers between the cable and telephone business, leaving "less likelihood that all these industries will come together."

Another reason for delay is that the cable companies now are less attractive buys for the phone companies, who have nowhere else to obtain programming for their own wires and lack the ability to develop it themselves.

TCI has a stake in CNN and a number of the other successful cable channels it carries. The question for Bell was how much it was willing to pay to tap into them all at once, as other regional companies had been accused of paying too much in smaller deals. Mr. Cullen said Bell Atlantic would "now look for smaller alliances, and it will take longer."

## Shareholders Vent Anger at Metallgesellschaft

By Brandon Mitchener

International Herald Tribune

FRANKFURT — Angry shareholders of Metallgesellschaft AG on Thursday authorized a special investigation into the role of the company's former management in the big German metals, mining and trading conglomerate played in a crisis that led to record losses and near-bankruptcy.

Even the most critical shareholders voted to go along with a costly rescue rather than risk letting the company go bankrupt and losing their investment entirely, but many said they were deeply disturbed by the apparent negligence that led to the debacle.

Many turned the extraordinary shareholders meeting, which was punctuated by calls of "crooks" and "hypocrites," into a denunciation of the company's former management.

Shareholders accused Ronald Schmitz, chairman of the company's supervisory board, of lax management and said he and the rest of the supervisory board should have resigned to take personal responsibility for the company's predicament.

Called upon to defend not only his own actions but the "German system" in general, Mr. Schmitz admitted to some soul-searching but said the system "proved itself in this instance" and rejected calls for his resignation. "The supervisory board does not feel that it has failed its duty," he said.

Instead, Mr. Schmitz blamed the former management board, and especially Heinz Schimmbusch, the former chief executive, for the company's problems. While Mr. Schimmbusch demonstrated "flair and imagination" in pushing Metallgesellschaft's diversification drive, he said there was no question that Mr. Schimmbusch was behind "an increasing tendency at Metallgesellschaft for the facts to go by the board."

He said he would not be surprised if Metallgesellschaft brought criminal charges against Mr. Schimmbusch and other former board members. Civil proceedings are already under way.

Despite the heat of the debate, the outcome of the meeting was never in doubt. Deutsche Bank AG, Dresdner Bank AG, Daimler-Benz AG and other institutional shareholders together control 62

percent of Metallgesellschaft stock and approved the 2.7 billion Deutsche mark (\$1.6 billion) rescue package.

The system that shareholders called into question is the cozy relationship between German banks and industry that has been the subject of numerous parliamentary investigations.

A spokesman for the DSW shareholders union, which is represented on Metallgesellschaft's management, said the supervisory board was demanding "premature obedience" in putting approval of its actions on the agenda for the regular annual shareholders meeting scheduled for March 30.

## London Report Says Soros Lost \$600 Million

Agence France Presse

LONDON — The international financier George Soros lost \$600 million on foreign-exchange markets Feb. 14 because of a sudden fall of the dollar against the yen, the Times of London reported Thursday.

Stanley Druckenmiller, manager of Quantum Fund, the Soros flagship, was quoted as saying that the firm had lost around \$600 million that day and that this was "certainly bigger" than the firm's gains on what was known as Black Wednesday in 1992.

Mr. Soros became known as "the man who broke the Bank of England" for his role in forcing the pound out of the European exchange-rate mechanism on Wednesday, Sept. 16, 1992.

After the failure of the U.S.-Japanese trade summit in Washington, the dollar fell more than 3 yen in London on Feb. 14.

The paper said Mr. Soros and his partners described their experience that day as the "St. Valentine's Day massacre."

## Japan Trots Out Elite for Chinese Visitor

By Steven Brull

International Herald Tribune

TOKYO — China's visiting economic czar, Zhu Rongji, moved among Japan's elite Thursday in a way few if any dignitaries from other countries could match: from morning meetings with the head of the trading house Sumitomo Corp. and the governor of the central bank, to a speech to hundreds of executives squeezed shoulder-to-shoulder in a glitzy hotel ballroom to afternoon talks with Prime Minister Morihiro Hosokawa.

Just a few years ago, the reception for Mr. Zhu, who is the Chinese deputy prime minister and central bank governor, would have been considerably more subdued. But the long speeches and careful protocol underscored the deepening dependence of Asia's two biggest powers and Japan's growing hope that China's potentially

vast market and low wages will offer a solution to its problems of a surging yen and mounting trade friction with the United States.

Trade between Japan and China mushroomed 54 percent to \$39 billion last year. That allowed Japan to surpass Hong Kong as China's biggest trading partner and put China second to the United States as Japan's biggest trading ally.

Yet Japanese investment, which is a key to China's continued economic growth, remains relatively restrained. Although it rose from \$1.07 billion in 1992 to an estimated total of just under \$2 billion in 1993, the amount is a small fraction of the sum invested by overseas Chinese.

Investment from Asia's economic superpower would be much greater if not for fears of runaway inflation, political instability after the Chinese leader, Deng Xiaoping,

dies and degradation of the environment that could spill over into Japan in the form of acid rain.

Mr. Zhu, however, said little to allay these fears. "He simply dismissed these problems," said C.H. Kwan, senior economist and head of Asian Research at the Nomura Research Institute. "If he repeats the same story in other meetings, it's not going to help."

The Chinese leader told Japanese business leaders that China's growth of 13 percent the past two years was not too rapid and that inflation, at 18.6 percent in the big cities, was acceptable because wages there had risen 25 percent.

There was confusion, like a boom in real estate and increased prices of raw materials, he said. "But this has been addressed and inflation put under control by our efforts to draw funds into infrastructure and agricultural sectors."

Mr. Zhu also characterized as "mistaken" Western media reports that the austerity drive announced in June 1993 had been relaxed in August because of pressure from regional authorities. "We took the

middle way, and we succeed," he said.

Western economists fear that unless credit in China is tightened quickly, growing industrial production will cause inflation to rise this year.

Prices in China's big cities were up 23 percent in January from a year earlier, Beijing reported Thursday. The rate was slightly lower than in December, but still high enough to make the government's goal of an average nationwide inflation rate of 10 percent appear increasingly untenable.

Even economists at the State Statistics Bureau, quoted by the China Daily, acknowledged the figures "cast a shadow over the national economy and threatened the state bid to slow the rise in gross domestic product this year." The government aims to brake economic growth to 9 percent from 13 percent last year.

While businessmen fret over the possibility that inflation will undermine their investments, Japanese officials say they are not

## Thinking Ahead / Commentary

## The G-7 Risks Losing Its Credibility

By Reginald Dale

International Herald Tribune

WASHINGTON — Sooner or later the West will have to accept that it cannot run the world economy single-handed. The Western shares of the world's population, wealth and trade are rapidly shrinking, and big new economic powers are bursting onto the scene. The West's chosen vehicle for economic leadership, the Group of Seven, which is set to meet in Frankfurt this weekend, has broken down. Its annual summit meetings have become little more than elitist photo opportunities. Yet the West faces one of its biggest challenges ever: to integrate China and Russia into the world economic system while maintaining the liberal Western values upon which the system is built.

If it is to maintain the supremacy of those values, it behooves the West to improve the quality of its economic leadership before the changing balance of world economic power takes matters out of its hands.

Although President Bill Clinton's administration came to office promising to "reinvigorate" the G-7, little has changed. Despite the group's best efforts, the Japanese and European economies are in rotten shape, and Russia is again flirting with economic disaster.

The G-7's failures have made it all the harder for it to rebut the charge of elitism — especially when the world's fastest-growing economies, in Asia and Latin America, are all outside the organization.

The G-7, of course, was never meant to be representative. It was always intended to be a cozy club of the leading like-minded industrial democracies, which only one non-Western power, Japan, has so far qualified to join.

But unless the G-7 dramatically improves

its track record, it is going to be less and less credible to keep seating France, Britain, Italy and Canada at the top table — alongside the United States, Germany and Japan — and excluding everyone else.

Jeffrey Garten, the new U.S. undersecretary of commerce for international trade, predicts that three-quarters of the growth in world trade for years ahead will come from 10 rapidly expanding countries ranging from China through India and South Africa to Argentina, none of which are G-7 members. It does not matter precisely which countries you pick. The point is that the dominance of

**The West must improve its economic leadership before the changing balance of power takes matters out of its hands.**

the United States and the European Union in setting the rules of world trade is bound to decline as their share of world markets shrinks.

The latest to have a crack at the problem is Peter Sutherland, director-general of the Geneva-based General Agreement on Tariffs and Trade, the chrysalis from which a new World Trade Organization is to emerge next year.

He proposes a new "high-level framework" for international economic co-operation that would include developing and ex-Communist countries alongside the industrial nations. Mr. Sutherland's plan is short on details. But a main point is that support for the new

group would come from the World Bank, the International Monetary Fund and the World Trade Organization, working much more closely together than hitherto.

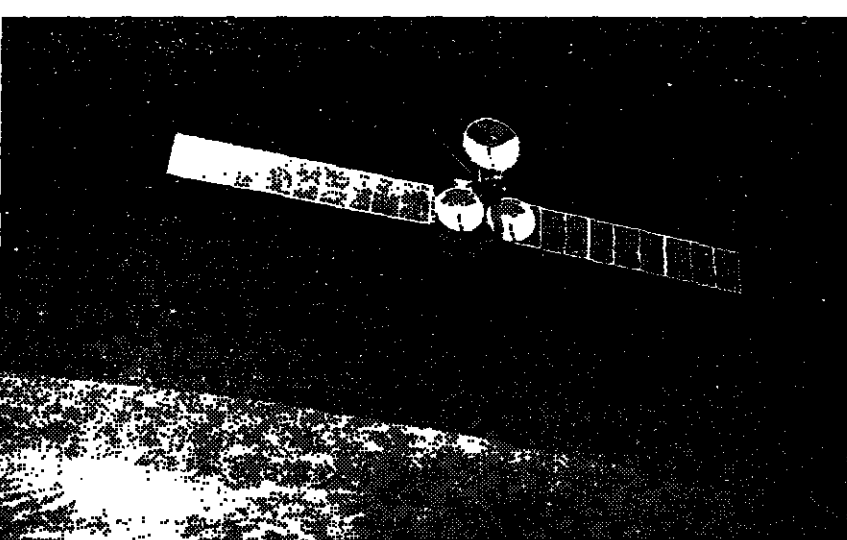
As the head of a global body, Mr. Sutherland is understandably pushing worldwide representation in the new group — perhaps by rotation. He plays down the role of the Paris-based Organization for Economic Co-operation and Development, which is limited to industrial countries, and which the U.S. administration rightly wants to strengthen.

The G-7 will have to decide whether it aspires to be a genuine world body running the global economy or a gradually less influential Western pressure group.

Obviously it will be easier to reach common decisions if the club is limited to like-minded allied countries. Even that is difficult enough. It is hard to see how a Group of 12 composed of, say, the United States, the European Union, Japan, Canada, China, Russia, India, Brazil, Mexico, Indonesia, Korea and Poland could be an effective decision-making unit. The world is not yet ready for UN-style economic management.

But such a group could have a useful consultative role alongside the G-7 while the West gets its act together. That is the first priority.

Then the West should aim gradually to extend its club by co-opting members and associates who share its values, just as it initially did with Japan. The fast-growing countries outside the G-7 owe their success to free-market principles. In the end, the West is more likely to persuade other countries to play by its rules by including them in the decision-making than by trying to go it alone.



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CROSS RATES									
	\$	DM	FF	LYR	DM	FF	LYR	DM	FF
Australian dollar	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
British pound	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78	1.78
Canadian dollar	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
French franc	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
German mark	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Italian lira	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Japanese yen	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Swiss franc	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Swedish krona	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Thai baht	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
U.S. dollar	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Yen	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35

Source: Reuters, Bloomberg, Merrill Lynch, Bank of Tokyo, and other financial news services. Data as of 11:00 a.m. Feb. 24, 1994.



## MARKET DIARY

## Bundesbank Sales Drag Dollar Down

Compiled by Our Staff From Dispatches  
NEW YORK — The dollar slumped Thursday despite favorable economic news, with heavy dollar-selling by the Bundesbank battering the currency against the Deutsche mark.

After its sales of dollars, the German central bank bought marks for French francs and lira, dealers said.

## Foreign Exchange

The dollar ended in New York at 1.7169 DM, from 1.7288 Wednesday. It also weakened to 104.90 yen from 105.70 yen Wednesday.

Comments from Treasury Secretary Lloyd Bentsen pulled the dollar down against the Japanese currency, Mr. Bentsen said reports that the United States and Japan had agreed to allow the dollar to trade as high as 110 yen were "a total fabrication."

The dollar also suffered from speculative liquidation after an anticipated tightening of interest rates by the Federal Reserve Board failed to materialize.

Speculators also were disappointed when the dollar failed to hold an early rally after a report of higher-than-expected durable goods orders for January.

When the dollar faltered at 1.74 DM, "the selling frenzy began," a

dealer said. "Stop-losses were triggered, and before long the downturn was unstoppable."

The psychological drag of the sliding Treasury bond and stock markets also pulled down the U.S. currency.

Dealers said they were frustrated over the dollar's repeated inability to rally despite favorable U.S. economic news. Disappointed over the dollar's flabbiness, traders turned more bearish and found other reasons to sell the dollar.

The dollar slid to 1.4314 Swiss francs, down from 1.4533 Wednesday. Some investors, disappointed with the dollar's performance, turned to the Swiss currency as a haven for funds amid fresh concerns about Russian economic and political stability.

Although a rumor about the ouster of President Boris Yeltsin proved unfounded, there were worries over the Russian economy and the U.S. entry over the Ames affair.

The Russian ruble on Thursday fell to a new low of 1,657 to the dollar.

The pound strengthened to \$1.4850 from \$1.4785, while the dollar slipped to 5.8330 French francs from 5.8583.

(Knight-Ridder, AP)

## LOSSES: Bond Markets Tumble

Continued from Page 1  
whose bonds dwarf their capital bases many times over.

In rising markets leverage can multiply a potential gain. In falling markets, it has the inverse effect.

"Leveraged players said they could not afford to be in a falling market and that was the trigger for

## N.Y. Stocks

the sell-off," said Richard Noble, bond strategist at Salomon Brothers.

That selling then fed on itself. The largest buyers of bonds became sellers and suddenly no one was buying. Suddenly a market which had been the flavor of the month grew very passé. In the words of one speculator, "everyone hit the revolving door at the same time."

## Wall Street Tumbles

Prices of blue-chip stocks tumbled Thursday as bond markets plunged and as the stock market showed disappointment about the failure of a multibillion-dollar merger, the Associated Press reported from New York.

The Dow Jones industrial index fell 51.78 points to 3,839.90 as declines swamped advances by a ratio of 3-to-1 and volume surged to 341.6 million shares from 309.8 million Wednesday.

The weakness in a number of key markets worldwide added to the gloom on Wall Street, where the Dow Jones industrial average dropped enough in the final half-hour of trading to trigger a New York Stock Exchange rule aimed at handling excessive volatility and preserving investor confidence in the market.

Traders began bailing out of bonds early in response to a report showing that orders to U.S. factories for durable goods had jumped a surprising 3.7 percent in January, marking the first time since 1987 that the indicator of manufacturing growth had climbed for six straight months.

The benchmark 30-year Treasury bond ended the day down more than a point, driving its yield to 6.74 percent from 6.65 percent on Wednesday.

The market was also soured by the announcement late Wednesday that Bell Atlantic's planned acquisition of Tele-Communications had been terminated.

The news was a blow for cable and communications companies in particular because their stocks had been bid up in recent months on takeover speculation.

"A large number of people have been placed in Al Gore's superhighway," Mario Gabelli, chairman of Gabelli & Co., said.



Source: Associated Press  
Feb. 24

## Dow Jones Averages

Open High Low Last Chg.

Indus 3839.90 3873.75 3839.90 -51.78

Transp 1791.37 1797.75 1791.37 -6.38

Comp 1594.83 1601.25 1594.83 -6.42

NYSE Most Active

Vol. High Low Last Chg.

Telcel 162.00 162.00 162.00 162.00 -1.00

Amgen 142.00 142.00 142.00 142.00 -1.00

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Mar 100 100 100 100 0.00

May 100 100 100 100 0.00

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Est. volume: n/a

COFFEE (LCE)

Mar 120 120 120 120 0.00

May 120 120 120 120 0.00

Jul 120 120 120 120 0.00

Est. volume: n/a

WHITE SUGAR (LCE)

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## EUROPEAN FUTURES

Open High Low Last Chg.

COCOA (LCE)

Mar 100 100 100 100 0.00

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Jul 100 100 100 100 0.00

Est. volume: n/a

COFFEE (LCE)

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May 120 120 120 120 0.



## Energy Companies Struggle

### British Gas Cuts Jobs Mixed Picture at Shell

**Compiled by Our Staff From Dispatches**  
LONDON — British Gas PLC said Thursday it had a loss of £533 million (\$816 million) on a current-cost basis in 1993 and would cut 5,000 jobs in addition to the 20,000 it already planned to eliminate over the next three years.

The natural gas production and distribution company is taking a £1.65 billion charge to cover the cost of the job cuts. It earned £473 million in 1992 on a current-cost basis, which values gas inventories at the current market price, rather than on the price at which they were bought.

On a historic-cost basis, or valuing gas inventories at the prices at which they were acquired, British Gas had a £285 million loss in 1993, compared with a profit of £681 million in 1992.

Sales on a historic-cost basis rose to £10.39 billion from £10.25 billion in 1992, but competition sliced into operating margins, the company said.

British Gas said it expected profit to remain under pressure in 1994 because of eroding operating margins and market share. That outlook caused Standard & Poor's Corp. to lower its long-term outlook on the company's debt to "negative" from "stable."

But the U.S. credit rating agency affirmed its A-1-plus rating on British Gas's long-term debt and A-1-plus rating on its commercial paper.

Richard Giordano, chairman of British Gas, said competitors had gained a 73 percent share of the contract market by the end of 1993, compared with 49 percent a year earlier.

He said the company planned to "reduce radically" its cost base in Britain so it could be more competitive.

"A restructuring of this magnitude will be painful for some," the company said. "But we will do our best to be fair and generous to those who leave us and to create a rewarding and challenging opportunity for those who remain."

British Gas managed strong growth in its exploration and production sector in 1993, but that was offset by payments of royalties to the government and the costs of closing an office in Houston.

British Gas said talks to sell its shareholding in Consumers Gas and some associated businesses in Canada for about 1.2 billion Canadian dollars (\$895 million) are proceeding, and the sale should be completed in the first half of 1994.

(Reuters, Bloomberg, AFP)

**Compiled by Our Staff From Dispatches**

LONDON — Royal Dutch/Shell Group earned £3.23 billion (\$5 billion) in 1993, based on the replacement cost of its inventories, up 3 percent from £3.12 billion in 1992.

But on a historic-cost basis, which values inventory at the price at which they were acquired, Shell earned £3.00 billion in 1993, down slightly from £3.06 billion in 1992.

The company, jointly owned by Shell Transport & Trading Co. of Britain, and Royal Dutch Petroleum Co., said an increase in oil and gas earnings was offset by higher losses in its chemicals sector and by unfavorable currency fluctuations.

Shell said overall product margins in Europe improved in 1993 but remained "well below" those in Asia and Latin America, where it expected continued growth in demand.

The company said the outlook for chemicals depended on an upturn in industrial activity and a better balance between capacity and demand, particularly in Europe.

Shell said it expected crude oil prices to fluctuate near current low levels for much of this year, as increased production from countries that are not members of the Organization of Petroleum Exporting Countries meets only modest growth in demand.

Shell said its crude oil production was little changed from 1992, with increases outside the United States offset by decreases within America, partly because of sales of producing fields.

Natural-gas sales continued to rise in 1993, and production increased in most areas, Shell said.

The company said it expected a net increase in crude production over the next few years, especially from Nigeria, Australia, Norway, and Abu Dhabi.

The company raised its final dividend for Royal Dutch shareholders to 4.90 guilders (\$2.52) a share from 4.85 guilders, while Shell Transport's final payout rose to 13.80 pence a share from 12.60.

Also on Thursday, Showa Shell Sekiyu, a Japanese refinery that is half-owned by Royal Dutch/Shell Group, said it earned 9.03 billion yen (\$86 million) in 1993, down 54 percent from 1992.

The decline came mostly from losses on foreign-exchange transactions, the company said.

Early last year, the company disclosed it had lost 125 billion yen by betting the wrong way on a currency futures contract. But the company said it made back 72 percent of the loss by selling stocks and real estate.

## Kerkorian Alleges Bank 'Cover-Up'

By Jacques Neher

International Herald Tribune

PARIS — Exploiting a Swiss judge's recent charge that Credit Lyonnais had hid important evidence about its involvement in the collapse of Sasea Holding SA, lawyers for financier Kirk Kerkorian have asked a California court to throw out the bank's \$500 million fraud suit against him related to the sale of the MGM film studio.

Mr. Kerkorian, in a court motion filed Wednesday, said that "a massive Credit Lyonnais cover-up" had prevented the former owner of Metro-Goldwyn-Mayer Inc. from obtaining documents that would help his defense against the bank's suit as well as bolster his \$650 million countersuit against the French banking giant.

Fred Spar, a spokesman for the bank in New York, said news media had been informed of the filing before the bank's own attorneys, demonstrating that Mr. Kerkorian "cannot effectively defend against the charge of fraud and breach of fiduciary duty and is therefore scouring the globe to find dirt on the bank to wage a press campaign."

The motion asks Superior Court Judge Richard C. Hubbell to call a special hearing to determine whether Credit Lyonnais's lawyers "had any involvement" in a memorandum advising the bank to clear its archives of documents relating to the Sasea case before an official search.

In his Feb. 11 order charging top officials of the bank with complicity in the bankruptcy of Sasea, Jean-Louis Crochet, the Geneva magistrate investigating the case, mentioned coming across such a memo but did not identify its author.

Mr. Spar said that "any suggestion" that the bank's attorneys had advised it to withhold evidence was "absolutely false."

Mr. Kerkorian also seized on evidence presented to the Swiss court to refute Credit Lyonnais's claim that MGM had no value when he sold it to Giancarlo Parretti in 1990 in a deal financed by the bank. Soon after, when MGM's cash flow turned negative and Mr. Parretti defaulted on his payments, the bank took control of the Hollywood studio. A portion of the equity was held through Sasea.

The motion cites valuations of MGM's net worth in 1991, made in documents presented to the Swiss court, of as much as \$1.26 billion. Patricia L. Glaser, Mr. Kerkorian's attorney, said in a telephone interview that she should have been given access to the same documents "We're saying that you can't say one thing in one court and something else in another court," she said.

Mr. Spar maintained that two audits of MGM made in 1991 had shown the film studio to have a negative net worth as large as \$629 million.

Credit Lyonnais's suit against Mr. Kerkorian is scheduled to go to trial May 3.

"Our interest is getting a fair hearing for Mr. Kerkorian and put this to bed because he didn't do anything wrong," Ms. Glaser said.

## Philips NV Hooks Up With UIH

Compiled by Our Staff From Dispatches

EINDHOVEN, the Netherlands

Philips Electronics NV said Thursday its Philips Media subsidiary and United International Holdings Inc. of the United States would form a venture to develop and operate European multichannel cable television operations.

Both companies will contribute their existing European cable TV interests to the new company, in which each will own 50 percent.

The joint venture will be the largest privately owned multichannel subscription television operation in Europe, both companies said.

"We will be a dominant force," a spokesman for United International said.

UIH, though based in the United States, only has operations overseas.

Philips's European cable-TV interests are valued at \$300 million more than those of United International. In compensation, Philips is to receive \$50 million of Class A United stock and \$125 million of subordinated notes of the joint venture. United will also contribute \$75 million in cash.

(AFX, Bloomberg)

### UIP Threatens Lawsuit

United International Pictures threatened João de Deus Pinheiro, the European Union's commissioner for culture and audiovisual policy, with legal action for making what it called "tendentious, false and misleading" statements, Bloomberg Business News reported from Brussels.

Mr. Pinheiro said Tuesday that the EU should stop allowing Hollywood studios to jointly distribute films in Europe. United International is a joint venture set up in 1981 by three major Hollywood studios — Paramount, Universal and MGM — to run their theatrical distribution in Europe.

Mr. Pinheiro said United International's actions reduced competition, for example by compelling theaters to take a package of less popular movies in return for the right to show a blockbuster such as "Jurassic Park."

United International denied it engaged in this practice, known as block-booking, and challenged Mr. Pinheiro to "produce evidence of this accusation, which we consider defamatory, or withdraw his remark and apologize."

## Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2400	3500	2400
2200	3400	2200
2000	3300	2000
1800	3200	1800
1600	3100	1600
1400	3000	1400
1200	2900	1200
1000	2800	1000
800	2700	800
600	2600	600
400	2500	400
200	2400	200
0	2300	0

Exchange	Index	Thursday Close	Prev. Close	% Change
Amsterdam AEX	7,672.44	7,669.81	7,669.81	-0.03
Brussels Stock Index	2,090.29	2,127.67	2,127.67	-1.76
Frankfurt DAX	804.11	816.57	816.57	-1.53
Frankfurt FAZ	1,872.94	1,804.83	1,804.83	-1.67
Helsinki HEX	2,527.90	2,577.90	2,577.90	-1.94
London Financial Times 30	3,267.50	3,341.90	3,341.90	-2.23
London FTSE 100	340.10	343.20	343.20	-0.90
Madrid General Index	1,067.00	1,072.00	1,072.00	-1.40
Milan MIB	2,208.29	2,252.00	2,252.00	-1.94
Paris CAC 40	1,785.63	1,829.40	1,829.40	-2.39
Stockholm Aftersvaerden	482.33	482.75	482.75	-0.09
Vienna Stock Index	1,028.50	1,046.67	1,046.67	-2.02
Zurich SBS				

Sources: Reuters, AFP

International Herald Tribune

### Very briefly:

- Switzerland's gross domestic product rose 0.6 percent in the last quarter of 1993 from the previous quarter, while the figure for the full year showed a drop of 0.6 percent from 1992.
- Westdeutsche Landesbank Girozentrale, Germany's largest publicly owned bank, said net profit in 1993 rose to 334 million Deutsche marks (\$193 million), up 53 percent from 1992, due to higher interest income and soaring returns from trading on its own account.
- Royal Insurance Holdings PLC announced pretax profit of £143 million for 1993, following a loss of £27 million in 1992.
- Bouygues SA raised its stake in the French television station TF1 to 34 percent from 25 percent, according to the Paris bourse.
- Europe Combined Terminals BV said it expected to invest about 1 billion guilders (\$518 million) in a new container harbor in Rotterdam. The city council and the Dutch state plan to invest an additional 850 million guilders in the project.
- Nestle SA said it was unlikely to list its shares in New York until after 1995.
- Milchener Rückversicherungsgesellschaft AG, the German reinsurer company, said its capital increase of 700 million DM would be a 1-for-8 rights issue with the new shares priced at 800 DM.
- Norway's government said it expected petroleum revenue in 1994 to total 28 billion kroner (\$3.75 billion), up slightly from 27.9 billion in 1993.
- Germany's antitrust authorities conditionally cleared the planned merger of the department store chains Karstadt AG and Hertie Waren- und Kaufhaus GmbH.
- The European Union has launched an antitrust investigation of a proposed purchase of Britain's Newspaper Publishing PLC by a coalition of British, Italian and Spanish interests.
- The European Union said it would also conduct an antitrust probe of the purchase of Rover Group by Bayerische Motoren Werke AG.

AFP, AFX, Bloomberg

## Profits Increase 78% at ICI

**Reuters**  
LONDON — Imperial Chemical Industries PLC, announcing its first full-year results Thursday since selling off its Zetex business arm last year, reported a 78 percent leap in profits for 1993 and forecast modest growth in 1994.

With sales flat and prices under pressure, the increase in 1993 pretax profit to £290 million (£428 million) came mainly from currency and cost-cutting benefits, the chairman, Sir Denis Henderson, said.

Chemical-sector share analysts, who had forecast profit of £281 million to £328 million, pointed out that ICI would not be cushioned by these factors this year. But Sir Denis said he was expecting a "modest improvement" in the world economy.

The 1993 dividend was held at 27.5 pence, as expected. Sales increased 12 percent to £8.43 billion.

## Pechiney Cuts Aluminum Output

**Reuters**

PARIS — Pechiney SA, the French state-owned aluminum and packaging conglomerate, said Thursday it would cut its annual aluminum output of a million metric tons a year by 12 percent, or 120,000 tons.

It said this was part of an international agreement to support weak aluminum prices.

Pechiney this week was singled out by a Russian executive for making what he termed excessive cuts in aluminum output.

Vladimir Kalchenko, an executive of the Russian producers' group Alu-

miny, said further Russian cutbacks would depend on those made by the West.

On Thursday an Alunium spokesman said he welcomed Pechiney's announcement.

A Pechiney spokesman said the company's cuts, like those of other producers, would continue for 18 months starting in April.

Pechiney was one of the last major companies to announce cuts ahead of a meeting Monday in Ottawa of representatives of major aluminum producers.

The European Union, the Uni-

ed States, Russia, Canada, Norway and Australia agreed at the end of January in Brussels to make a joint effort to reduce their aluminum production.

### Alusuisse Profit Falls

Alusuisse-Lonza Holding AG, the Swiss aluminum, packaging and chemical company, said Thursday its profits and sales slipped in 1993, as expected, but it predicted a sharp improvement for 1994, Reuters reported from Zurich.

Net profit was down 31 percent to 83 million Swiss francs (\$57 million) as sales were off 5 percent at 6.19 billion francs.

## MAN AG's Revenue Slips In Spite of Rise in Orders

**Compiled by Our Staff From Dispatches**

MUNICH — MAN AG, the German engineering company and truck manufacturer, said Thursday that group sales had fallen 8 percent to 7.62 billion Deutsche marks (\$4.4 billion) in the six months ended in December, which is the first half of the company's financial year.

It said that despite an expected increase in sales in the second half, full-year revenue would also be below the previous year's level of 230 million DM.

The company also reiterated that profit for the full year would not match the year ended in June 1993 as a result of costs connected with restructuring, price pressures and weak capacity utilization. It did not provide profit figures for the first six months.

MAN said cost-cutting measures should help it achieve an earnings turnaround in the year ending in June 1995.

Order inflow in the six months ended in December rose 16 percent, to 8.62 billion DM, while orders on hand at the end of December had dropped 3 percent, to 15.3 billion DM.

(AFX, Bloomberg)

### Den Danske Posts Profit

**Compiled by Our Staff From Dispatches**

COPENHAGEN — Den Danske Bank AS said Thursday it returned to profit in 1993, earning 240 million kroner (\$356 million) after a 1.74 billion loss the year before. The result was below market expectations, and the bank's biggest, said it would focus on areas such as mortgage banking, insurance and securities trading to boost profit this year.

(AFX, Bloomberg, Reuters)

## WestLB Profit Up As Are Reserves

**Compiled by Our Staff From Dispatches**

DUSSELDORF — Westdeutsche Landesbank Girozentrale said Thursday that its profit rose last year but that it raised the amount of money it holds in reserve against possible loan losses.

WestLB said its parent-company net profit last year rose 33 percent, to 334 million Deutsche marks (\$193 million), and provisions rose to 803 million DM from 596 million DM in 1992. The bank did not provide group net-profit figures, which include subsidiaries, but it said group operating profit rose 45 percent, to 803 million DM.

Group assets rose about 13 percent, to 320 billion DM. Chairman Friedhelm Neuber said the bank has "earned well in a difficult economic environment."

(Bloomberg, AFX)

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**Herald Tribune**

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The shareholders of the Sub-Fund FINNSEC GLOBAL (FIM) have the possibility either to:

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# KUWAIT

FOCUSING ON RECOVERY

The new democratic process in Kuwait is affecting everything from the debate over whether to introduce charges for some services to the issue of greater accountability by the government.

## BACK ON TRACK, THE EMIRATE LOOKS TO THE FUTURE

**T**hree years after the liberation from Iraq, there is a new feeling of growing optimism in Kuwait — although the shadow of Saddam Hussein still lingers on. The oil sector is back to normal (barring some minor production and refining problems), construction activity has picked up rapidly in the last year and the Kuwait Investment Authority is restructuring both its management and investment strategy.

Crude-oil production is about 2.2 million barrels a day and refining capacity is 580,000 barrels a day, compared with a prewar figure of 800,000 barrels a day.

Falling oil prices are, however, rapidly increasing the budget deficit, which now stands at about \$3.5 billion. A report to the National Assembly last month revealed that Kuwait was losing about \$200 million a month in lost oil revenues — equivalent to \$2.4 billion a year at present prices. The good news, though, is that preliminary studies of a report due to be finalized in August show that there was no substantial damage to oil reservoirs as a result of the fires.

There are still some post-liberation social problems that are causing concern. "Trauma" is very much a vogue word, and a special new psychiatric treatment center is to be built. The government also wants to remove all monuments and war memorials incorporating tanks, guns and other military equipment, which are said to be having a damaging effect on the

minds of Kuwaitis who experienced the war.

In addition, the population mix is said to be out of control. There are only 643,000 Kuwaitis out of a total population of 1.6 million, and the economically active population is only 22 percent, compared with 40 percent in the developed world. The annual increase in the Kuwaiti population is said to be 3.8 percent, one of the highest in the world, and the present population is expected to double over the next 17 years, which should help to rectify the balance between Kuwaitis and non-Kuwaitis.

The government and the National Assembly are daily wrestling in public with major issues ranging from women's rights to whether to introduce charges for health services or to make the public pay a more realistic price for electricity and water.

All this is part of the new democratic process, which is succeeding and is continuing to call for greater accountability from the government and civil servants.

The role played by the Audit Bureau, a public watchdog monitoring the financial, economic and investment scene, is a direct result of the changes for the better that have taken place in Kuwait since the war. Says AbdulMossen Taqi Mudaffar, a leading local economist: "It is one of the many fruits of democracy and parliamentary life, which greatly protected public funds, and is an indication of the serious monitoring of the functioning of financial institutions."

Kuwait in prewar years was noted for its casino-Cadillac way of life in one of the most extensive welfare societies in the world, where every citizen was looked after by "Mother Kuwait" from the cradle to the grave. The present emphasis is on cutting out waste and creating greater social awareness and responsibility among Kuwaitis.

Ali Abdul Rashid Al-Bader, the new managing director of the Kuwait Investment Authority, cites an experimental fee of 2 Kuwaiti dinars (\$7) for X-rays taken in a hospital. When they were free, the hospital used 800 X-ray films a day; when the fee was introduced, the figure dropped to 200.

In another example, Mr. Bader says employees in his office would rather go to the doctor for a break than go to a coffee shop. "I have seen it with my own eyes," he says. "They go down to the doctor and get a packet of prescriptions, go to the pharmacy and dump most of the drugs on the way back to the office. It is crazy."

Sheikh Saud Al-Sabah, the minister of information, says his people are still recoiling from the shock of the war. Referring to health and other charges, however, he says: "We have to face reality now rather than be caught out in the future."

He adds that the government has to look seriously at introducing tariffs and charges across the spectrum. "We have to cut the fat and to look at ways and means of generating more income for this country through services — telephone, power and water. Import taxes on luxuries are only 4 percent. Ninety percent of power is subsidized. You don't have to pay a single cent whether you have just a headache and go to the doctor for a bagful of medicines or you need to have heart surgery."

Sheikh Saud says people are demanding that the government introduce charges. An unpublished report made recently by the Ministry of Health to the Ministry of Finance says that health charges must be introduced. Not everyone agrees, however.

Jasem L. Al-Sadoun, general manager of Alshall Economic Consultants, an outspoken critic of economic policy, suggests that such charges, particularly for the use of water and power, may not in themselves raise much income for the government, but they may certainly help reduce demand and waste. "But if this were to happen, it might lead to the cancellation of a project to increase production capacity."

Continued on page 21

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • It was written by Michael Frenchman, John Roberts and Pamela Ann Smith, all writers based in Britain who specialize in Middle Eastern issues.

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## KUWAIT NATIONAL PETROLEUM COMPANY REFINERIES RESTORATION PROJECT

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The success of the Refineries Restoration Project stands as a proud achievement for the men and women of FOSTER WHEELER. They managed, monitored and supervised more than eight million work hours by over 3,700 multi-national contractor and subcontractor personnel. Their efforts, which included procurement of more than US\$ 80 million of project materials, were essential to ensure that all three of Kuwait's refineries were efficiently and safely restored.

#### MINA AL-AHMADI REFINERY

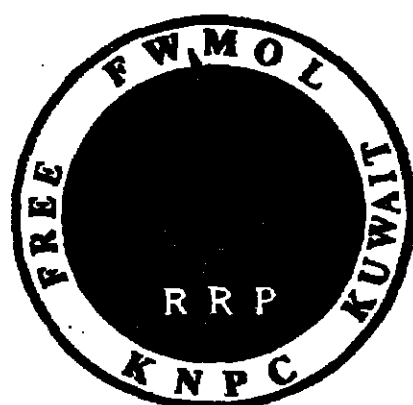
The largest of KNPC's three refineries, Mina Al-Ahmadi suffered extensive damage as a result of the Iraqi invasion and occupation of Kuwait. Full restoration of all production units and critical tankage at this key refinery which has capacity to refine 388,000 barrels of crude oil per day, was critical to support the infrastructure and economy of Kuwait. As a result of more than four million hours of work, all mechanical systems were completed in under one year from job start.

#### SHUAIBA REFINERY

Shuaiba, KNPC's original oil refinery, was commissioned in 1968 and expanded in 1978. At peak production Shuaiba Refinery has the capacity to refine 195,000 barrels of crude oil daily. This was the most extensively damaged of KNPC's three refineries, requiring a near total rebuild of the crude unit and nearby process units, pier and tank farm which sustained bomb and fire damage. Today, Shuaiba Refinery is once again producing and shipping refined products. Work was completed just ten months following contractor mobilization.

#### MINA ABDULLA REFINERY

As Kuwait's most modern refinery, Mina Abdulla has a capacity of 200,000 barrels of crude oil per day. During the Iraqi occupation of Kuwait, the Central Control Building, the nerve center of the Refinery, the shipping and inter-refinery pumphouses, the main piping sleeperway and small boat harbor were totally destroyed. The tank farm and coke handling system sustained severe damage. Contractors selected to undertake the rebuilding at the Mina Abdulla Refinery met the challenge, with mechanical systems on target for scheduled completion in March 1994.



## A PROUD MILESTONE IN THE KUWAIT OIL RECOVERY PROGRAM

### TEAMWORK IS THE KEY

#### CHINA PETROLEUM ENGINEERING CONSTRUCTION CORPORATION (CPECC)

In the restoration of the Mina Al-Ahmadi Refinery, CPECC mobilized more than 1,200 construction, engineering and support personnel. CPECC was supported by its sister company, SINOPEC Engineering Incorporation (SEI) and 16 Kuwaiti and international specialty subcontractors. The repair work on eight process units was completed and the units returned to production within one year from contract award, with the first unit turned over in August 1993.

#### DAELIM ENGINEERING COMPANY (DEC)

DAELIM mobilized more than 850 personnel from Korea and the Philippines to accomplish the demolition, construction work and equipment overhaul at the Shuaiba Refinery. Twelve Kuwaiti subcontractors supported DAELIM with specialty services in the refinery and on the oil pier. The first oil shipment from the restored refinery was made just ten months after this challenging work began.

#### INSTRUMENTS INSTALLATION & MAINTENANCE CO. (IMCO)

IMCO, a Kuwaiti Contractor, was awarded the contract for construction of electrical and instrument facilities at the Mina Abdulla Refinery. IMCO personnel worked half a million manhours performing construction of E&I work for pumping facilities, central control room, coke conveyor system involving miles of electrical and instrument cabling, and installation and hookup of sophisticated electrical and control systems.

#### NOYES CLOUGH, A DIVISION OF CLOUGH ENGINEERING LIMITED (NOYES)

NOYES, of the Clough Engineering Group, one of Australia's foremost multidisciplinary engineering and construction organizations, was awarded the contract to rebuild the mechanical systems, including the coke handling structure and equipment, the shipping and inter-refinery pumphouses and piping sleeperways at the Mina Abdulla Refinery. NOYES utilized several local subcontractors. In all, more than 800,000 manhours of effort were needed to perform the mechanical reconstruction work.

#### CBI EASTERN ANSTAIT (CBI)

CBI won the contract to repair and replace damaged and destroyed storage tanks at all three refineries. In all, seventeen tanks were replaced or required major repairs. Five Kuwaiti and Gulf region subcontractors provided important support services. CBI is a world leader in the design and construction of petroleum storage tanks and they have maintained a continuous presence in the Gulf for over fifty years.

#### PAN ARAB CONSULTING ENGINEERS (PACE)

PACE was responsible for re-design of the enlarged Central Control Building at Mina Abdulla Refinery. PACE provided civil/structural design, engineering and drafting services which greatly aided the Refineries Restoration Project in meeting the scheduled completion date for this critically needed structure. Established in 1968, PACE has offices in Kuwait and Bahrain, and provides services in planning, architecture, engineering, landscaping, interior design, quantity surveying, land surveying, construction supervision and project management services.

#### EL-HOSS ENGINEERING & TRANSPORTATION CO. (HETCO)

HETCO, a Kuwaiti Contractor, provided comprehensive heavy lift, customs clearance and transportation services to KNPC for the Refineries Restoration Project. This involved performing customs clearance for more than 1,800 air, sea and land shipments and transporting thousands of tons of materials from Kuwait's ports of entry to the three KNPC refineries. HETCO, established in 1947, provides heavy lift and transport services throughout the Gulf region.



## ADVERTISING SECTION

## ADVERTISING SECTION

## Beyond an Oil-Based Budget

As oil prices continue to fall, there is strong pressure on the government to cut spending and increase revenue from the sale of state-owned companies.

(In millions of Kuwaiti dinars)

	91/92 Budget	92/93 Budget	93/94 Budget	% change 92/93-93/94
Total Revenue	870	2218	2713	22
Oil Revenue	700	2000.3	2419	21
Non-Oil Revenue	170	217.7	294	35
Deficit	(5438)	(2003.8)	(1495.3)	-25

Source: National Bank of Kuwait

## TOP PRIORITY: BUDGET REFORM

In a country where a bottle of water costs more than gasoline, there is strong pressure from within and outside the government to trim spending and cut budget expenditures as oil prices continue to fall.

Defense spending and civil-service salaries account for just under half of Kuwait's budget. Total expenditures were projected as 3.9 billion Kuwaiti dinars (\$13.45 billion), while total revenues were put at 2.7 billion Kuwaiti dinars. Expenditures are only 60 million Kuwaiti dinars less than the previous year, but there was a 13 percent increase in wages and salaries.

The government had originally based its oil-revenue forecast for the 1993-94 budget on \$14 a barrel, but the price fell to \$10.50 and, because of reported discounting, is now even less. Oil accounts for 90 percent of Kuwait's income.

The locally produced Al-Shall Weekly Economic Report considered the situation to be "alarming," as half the budget allocations had been disbursed already at an average of \$1.2 billion a month to the various ministries and other institutions. According to the National Bank of Kuwait, however, if all revenues and expenditures are fully shown (several items are not revealed),

the situation may not be so bad. It states in its last economic report for 1993 that "the picture about the actual deficit will be much clearer. Investments and their returns do not figure in Kuwait's budget."

Budget reform, a politically sensitive issue, has

Defense  
spending is  
the subject of  
controversy

become an urgent task, according to Nasser Al-Rodhan, the finance minister, who has appealed for cooperation in the National Assembly. Delaying measures would inflict further "harm to the living standards of citizens," he says.

In local newspaper reports he added: "The recommendations and reform measures require making sacrifices at all levels for the time being. They are not easy to accept on the public level unless there is an honesty and openness with a future-oriented outlook and both the legislature and executive cooperate to ensure its success."

Mr. Rodhan has said in a report to the National

Assembly that an urgent start on reforms has to be made "instantly and without delay." He has suggested there be cuts in the \$3.89 billion government wage bill "without affecting salaries," and that more Kuwaitis be employed in the private sector, where nine out of 10 workers are expatriates. Other suggestions are to trim back unnecessary spending on services, review direct and indirect subsidies, impose fees on general services (health, education, power and water), create more opportunities for foreign investment and, finally, look at the introduction of some form of taxation.

While there is a genuine, acknowledged need for Kuwait to be able to defend itself — more than \$10 billion has been earmarked for this purpose over the next 10 years — there is strong pressure from many quarters to adopt a more realistic attitude.

"Why are we spending billions of dollars on hardware and equipment when we know we cannot use them?" is a much-repeated question.

Jafer K. Al-Sadoun, of Alshall Economic Consultants, feels very strongly about the issue. "Spending \$1.5 billion this year on defense is ridiculous; we are not a 'Rambo' state. Who are we going to defend ourselves from — the Russians, the Iraqis, the Saudis or the U.S.? We are in no position to create an active army of 15,000 persons." He adds that acquiring military technology is an obstacle to further development of the state: "It is just a waste of money."

He suggests three alternatives: First, become like Costa Rica, which has no army, and build up the civil service of the economy; second, form a joint military force with other Gulf countries; third, adopt the Swiss model.

M.F.

## INVESTMENT AUTHORITY HEAD OUTLINES CHANGES



Ali Abdul Rahman Al-Rashid Al-Bader, who became managing director of the Kuwait Investment Authority (KIA) last year, is introducing sweeping changes. He is also trying to clean up the image of one of the most powerful investment institutions in the world. In this exclusive interview, he outlines KIA's strategy for the future and its interaction with the development of Kuwait's economy.

Last year, KIA's investment portfolio grew by a sum more than the size of the budget deficit, which was nearly \$4 billion, according to Mr. Bader, who would not give precise figures. Since the invasion

## Banking sector a pillar of economy

of Kuwait, the KIA has gone through difficult times, and the government has withdrawn considerable sums from the KIA reserve funds and some of its investment operations.

"There are still withdrawals because of the budget deficit," says Mr. Bader, "but we have to be optimistic. I guess the government has to balance the

markets. Mr. Bader says: "The rate of return we are making, especially over the last two years, is yielding us a very handsome return. In marketable securities and bonds, we are exceeding the international indices for last year, so much so that in 1993 the value of our investments increased sufficiently to more than cover all government withdrawals — much more, in fact, so we are happy."

He warned, however, that the KIA must not become complacent because 1993 was a good year: such returns will not necessarily continue, and the authority must choose the right investments.

What kind of investments are you concentrating on?

We always try to keep a balanced portfolio. Our main emphasis is in marketable securities, stocks and bonds, the liquid items. The second target is real estate and the third and last target is some kind of direct investment. But we have to be realistic and work within our management ability. At the moment, we don't have it, which is why we are concentrating on investments which do not need sensitive management. We do not want to take short risks; we want medium to long risks. We don't want to get into

steps have already been taken to enhance and improve the monitoring capability and the management structure by merging the head of KIA and the KJO together with one chief executive officer. I hope we will complete the restructuring program by the end of the year.

Has recent criticism of some of your operations been justified?

We have been involved in some investments which turned sour. We are now taking steps to restructure them. I think that the general atmosphere of criticism has been unfair to some extent. Like any other organization, we are subject to the Audit Bureau inspection, which looks at what went wrong, where the losses are, not whether profits were made or if we have had a success story, so unfortunately public opinion was only exposed to the bad side, not the positive side.

You have had some problems in Spain, Germany and Switzerland. Are there any more "sour investments"?

Negative! We are in a better position today; we have no problem in Switzerland. The only area is Spain, but now we are in a sensitive area because of the legal aspects [court hearings]. But as the ultimate shareholder, we are helping Torras with its restructuring plan, and hopefully we will see some benefit for the shareholders.

Have you been taking steps to clean up the organization?

I wouldn't say "clean up," but we had some investments which had some problems. We have taken steps to restructure them, and some of the individuals who were involved are no longer with us.

The World Bank report said basically: "Sell everything." Will you?

The World Bank was talking about the domestic operation and recommended that the private sector should be encouraged to be more involved in the local economy. That is true, and we wholeheartedly agree.

The government is taking very serious steps to implement these recommendations. When we talk about privatization, we talk about two elements. The first is the general public utilities, which are telecommunications, power generation, electricity grids and water.

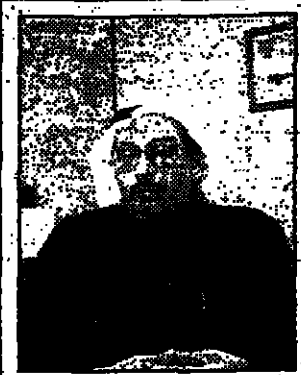
Kuwait Airways and some transportation systems. This already started more than a year ago, with telecommunications, and the new company is expected to be announced by the end of the

first quarter with a target for it to take over by the end of the year. This will be the first in the utility sector. Following that, we will see what we can learn from this operation; if there were any mistakes, can we do it better and so on. The next step will be to pass a new law to facilitate privatization of other operations and to set up a new privatization

shares before we can think of privatizing them.

What banking mergers are taking place?

Kuwait Real Estate Bank and the Industrial Bank are now in the technical process of merging. Kuwait Investment Company and Kuwait Foreign Trading Contracting & Investment Company are approaching the final steps of a merger. There are



"We have good expectations. Because of the rate of return available, we should get back to our preinvasion level of reserve funds in six or eight years' time."

office within the Ministry of Finance, which may take over those operations temporarily. The second step will be to privatize the companies owned by the government through KIA in the local market. This should be much easier. The government owns about 60 companies, of which 40 are listed on the stock exchange. We own a few other shares here and there. In some companies, we own more than 50 percent, in others less than 1 percent. Our average holding is about 25 percent, and our total investment in the local market is around 1 billion Kuwaiti dinars (\$3.45 billion). What is going to make it easier for us is that, originally those companies were in the private sector. The government only went into them after the market crash of the early 1980s, so we should not have problems in putting them back in the hands of the private sector. This will take three to five years but will, of course, depend totally on the level of activity and the ability of the capital market to digest those holdings.

Do you see any problems? You have to deal with a few lame ducks.

I don't think we have any problems. We have a few companies that need restructuring, and that is being done now — restructuring the investment companies. The banking sector is already being restructured after the government took over the massive outstanding debts following the war. Now we have to wait for the 1993 results, because 1992 was only one year after the war. We expect 1993 to be good and 1994 to be better, which will affect the value of the

also the Kuwait Food Company and the Kuwait Flour Mills Co. There are talks going on between various commercial banks so that they can merge to increase capital: the Burgan Bank and Bank of Kuwait and the Middle East Commercial Bank of Kuwait and Alahli Bank. They have to get their balance sheets out, and there is the question of personalities, too, but the seriousness of intent to merge is there, especially in the banks we own. Shareholders are beginning to realize that if they continue as they are, the yield will be modest, so mergers, economies of scale and cutting down expenses is important. There will always be personalities involved, but at the end of the day, shareholders want money, and it is they who decide.

As far as KIA is concerned, have you been trying to appear very optimistic about the future?

In this business you have to be optimistic, otherwise you are dead, and you may as well close up shop and go home. Look at the country: GNP is going at a good rate; the banking sector, which is a pillar of the economy, is being restructured; corporation earnings are increasing; the stock market daily trading even exceeds preinvasion volume; the oil industry is back to preinvasion levels — by the middle of next year the oil-refining sector, which is very important, will be up to preinvasion levels, too. On the macroeconomic side, we have 10 percent of all the world's crude oil reserves below our feet and on top only about 1 million Kuwaitis, so what could go wrong?

M.F.

Kuwait Foundation  
For The Advancement of Sciences

KFAS is a non-profit research funding organisation oriented towards the promotion of scientific and technical development in Kuwait and Arab countries.

Financed by Kuwaiti shareholding companies which contribute 5% of their annual profit, KFAS is managed by a Board of Directors, chaired by H.H. The Amir of Kuwait and six members nominated by the Kuwaiti shareholding companies.

## General Aims of KFAS

- Disseminating and developing scientific culture in society, and nurturing in it the appropriate scientific and technical skills.
- Sponsoring Basic and Applied Research through grants in the fields of Natural Science, Engineering, Health, Food, Sociology, Economics, Islamic Medicine and Science.
- Awarding grants and prizes in Kuwait and Arab countries to enhance and reward scientific excellence.
- Contributing to the Arabic language library with specialized references and studies, and reviving Arabic as the medium for scientific study.

## MAJALLAT AL-OLOOM

Majallat Al-Oloom is the only Arabic language edition of the internationally recognized and widely distributed scientific magazine: *Scientific American*.

This monthly magazine is sponsored by KFAS and supervised by an Editorial Board headed by KFAS' Director General. It aims at satisfying the scientific aspirations necessary for the sustained cultural development of Kuwait and the Arab world.

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## Details and Conditions of Entry

- Two prizes are awarded in each category to recognize excellence in the field of scientific research. One for Kuwaiti citizens and the other for citizens from other Arab countries.
- Each prize consists of a cash sum of KD 30,000 (US\$100,000 approx.), a Gold Medal, a KFAS Shield and a Certificate of Recognition.
- The Scientific research must have been published during the last ten years.

Updated C.V., a list of publications and four copies of each of the published works should be received before 31/10/1994, and addressed to:



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ADVERTISING SECTION

ADVERTISING SECTION

## BANKING SECTOR LOOKS FOR NEW BUSINESS SOURCES

**D**espite many pessimistic expectations three years ago as the Gulf War was coming to an end, Kuwait's banks have withstood the crisis and are now beginning to show profitable returns as well. Still, there are doubts about where this sector's new business will come from, without a resurgence of business confidence at home, prospects remain uncertain.

The outstanding success story is, undoubtedly, the National Bank of Kuwait (NBK), the only one of Kuwait's six commercial banks to have withstood the international freeze on Kuwaiti banking assets at the time of the Iraqi invasion. The largest of the six, it announced net profits of \$2 million Kuwaiti dinars (\$175 million) last year, up 22.4 percent over the 42.5 million Kuwaiti dinars recorded at the end of 1992. Alone among the banks, it has retained its presence in international markets and is expanding its portfolio management facilities — a natural outlet for a bank that has long cultivated its relationships with Kuwait's wealthy merchant families and which can now claim the highest respect in the world's money markets.

NBK's total assets grew by 28.4 percent, to 3.3 billion Kuwaiti dinars at the end of December 1993, while customers' deposits rose 13.6 percent, to 1.95 billion Kuwaiti dinars. Its improved profits performance was due to increased efficiency at management level, strong foreign-exchange earnings and good returns from its overseas operations.

Its capital-to-assets ratio amounted to just under 15.9 percent, nearly double the figure set by the "central bankers' bank," the Bank

for International Settlements in Basel, Switzerland.

Altogether, the bank holds more than two-fifths of Kuwait's total bank deposits. It is currently expanding its international network by opening a branch in Vietnam, which will specialize in bilateral trade between that country and Kuwait. In December 1992, it opened a new subsidiary, National Bank of Kuwait International, in London to supplement its worldwide network, which includes other operations in New York, Paris, Geneva, Beirut, Bahrain and Singapore.

In the sector as a whole, the combined assets of the commercial banks and of

**NBK**  
has opened  
a branch  
in Vietnam

three other specialized banks amounted to 8.5 billion Kuwaiti dinars at the end of October 1993, slightly less than the 8.9 billion Kuwaiti dinars reported a year earlier. While holdings of domestic investments, such as Treasury bills, shares and bonds, rose during September-October, and foreign assets staged a 5 percent recovery, rising to 1.5 billion Kuwaiti dinars, the sector has been handicapped by the effects of bad debts, amounting to about \$19 billion, left over from the crash of the Kuwaiti stock market in 1982 and by the commercial losses resulting from the Iraqi occupation. However, Gulf Bank reported a 22-percent

### The Balance Sheet for Banks

Kuwait's commercial banks are bouncing back from the effects of the invasion. The threat of capital outflows from the country has receded.

(in millions of Kuwaiti dinars)

	1991	1992	1993 to March	Percentage Variation 1991-92	92 Dec. 93 March
Total Assets	8413	8360	8236	-0.6	-1.4
Foreign Assets	1747	1325	1165	-24.1	-12.0
Claims on Private Sector	1127	1324	1078	+18.0	-18.7
Claims on Government	5207	5359	5552	+2.9	+3.5
Other Assets	297	303	409	+2.0	+34.8
Total Liabilities	8413	8360	8236	-0.6	-1.4
Capital & Reserves	786	786	803	-	+2.2

Source: National Bank of Kuwait

rise in income at the end of 1993 to 18.2 million Kuwaiti dinars, with assets up 7 percent to 1.25 billion Kuwaiti dinars. Burgan Bank is also reported to have achieved a return on assets of 1.39 percent, giving it number-two status among Kuwaiti banks. Deposits rose 30 percent last year over the 1992 figure, while cash and liquid assets rose 9.4 percent.

Government deposits in the banking sector almost halved, from 914 million Kuwaiti dinars at the end of December 1991 to 591.5 million Kuwaiti dinars at the end of September 1993. This figure could decline further this year as Kuwait begins to feel the full effect of a fall in international oil prices and continues to trim spending to curb its deficit.

On a more positive note, the Central Bank has been cutting the discount rates as it becomes clear that the threat of capital outflows from the country has receded. The move also reflects the decline in international interest rates and is expected to encourage local depositors to invest their funds in medium- and longer-term outlets rather than leave them in short-term accounts. By the end of November, the discount rate had fallen to 5.75 percent, compared with 7.5 percent a year ago.

Permission from the Cen-

tral Bank for other Kuwaiti financial institutions, including the Bank of Bahrain and Kuwait (BBK), Gulf Bank and Burgan Bank, as well as NBK, to engage in spot and forward foreign-exchange transactions in foreign currencies on their own accounts (as well as for their clients) may also help improve performance in 1994. Banks in Kuwait were forbidden to engage in such activities in 1991 to ensure the stability of the financial system in the immediate aftermath of the Gulf War. "It is good news for the Kuwaiti banks because it adds more flexibility and depth to the market," says one economist.

Meanwhile, Kuwaiti banks are still being encouraged to merge to help further rationalize the sector following the Iraqi invasion and the losses stemming from the stock market crash. The governor of the Central Bank, Sheikh Salem Abdulaziz Al-Sabah, told a conference in Kuwait in November: "I believe that [the] merger of banking and financial institutions is an urgent necessity as it will achieve the ultimate goal of any commercial activity, [which is to] boost profits."

The governor is also on record as favoring a greater role for foreign investors in the banking system. In December, he told reporters in Kuwait that he advocated

allowing overseas financial institutions the right to acquire shareholdings in local commercial banks, a measure that would necessitate new legislation to overturn the current ban on such investment in the banking sector. Foreign stakes of up to 40 percent should be permitted, he suggested, to enable Kuwaiti institutions to benefit from overseas institutions' experience in worldwide markets. Also under consideration is up to 49 percent ownership of Kuwaiti banks by Gulf Cooperation Council nationals. This could increase the level of expertise at Kuwaiti banks.

The International Investor, a new Kuwait-based institution specializing in Islamic banking, is, in contrast to GIB, increasing its focus on Europe. Specializing in private banking for individuals with a net worth of between \$1 million and \$3 million, as well as placements for institutional investors, it has expanded its operations in London and is planning to open an asset-management unit in Switzerland.

The government is looking to liberalize the economy further by reducing its involvement in the domestic economy. Privatization is under active consideration, and real progress is expected in 1994.

Pamela Ann Smith

## DEBT RESETTLEMENT PROGRAM: BOTH SIDES WAIT AND SEE

**S**ix months after the passage of a comprehensive debt settlement program, Kuwaitis are still uncertain about how it will be implemented and who will have to pay. While the settlement, which was made necessary by the huge losses stemming from the Iraqi occupation of 1990-91, has already helped the country's banking and financial sector to recover, the economy is still in the doldrums pending its completion.

The program covers some \$20 billion in corporate and individual debt accrued during the occupation and as a consequence of the crash of the Kuwaiti stock market — the Suq al-Manakh — in 1982. In late 1992, the Central Bank arranged to buy almost all the debt from the country's commercial banks and other financial institutions in return for 20-year bonds provided by the government. Since then, however, the country's new parliament has taken on the task of deciding the terms of repayment.

Under the legislation passed by parliamentarians at the end of August, the country's 9,546 corporate and individual borrowers were given six months to choose one of two options for repayment. The first called for repayments to be made within two years in return for scaled reductions in the amount owed.

The smallest debtors, for example, owing less than 50,000 Kuwaiti dinars (\$168,000) would be required to pay back only 25 percent; those owing more than 500,000 Kuwaiti dinars, however, are to be assessed for 45 percent of the sums due. Those owing amounts between these two levels would have to pay between 30 percent and 40 percent of their outstanding debts. The second option allowed borrowers to repay

their debts over a period of up to 12 years, but no reductions would be allowed.

Completion of the repayment program, it was argued, would allow the economy to recover insofar as debtors would then know their financial positions and be able to invest and consume. Since the government could also then start to redeem its bonds held with the banks, commercial bank assets could be freed and placed in instruments offering more advantageous interest rates than those currently on offer for the bonds.

Since the bill's passage and ratification by the Emir in early September, little progress has been made. In particular, debtors have almost totally failed to produce the financial state-

12% of  
debtors  
account  
for 92%  
of debt

ments that many parliamentarians consider a necessary first stage. Many of the debtors, in turn, are waiting to see exactly what will be demanded of them before submitting such statements.

A more intractable problem, however, surrounds the issue of whether some debtors should be given favorable treatment at the expense of others. Of the 9,546 involved, just 12 percent, or 1,126, account for 92 percent of the \$20 billion due. They are widely believed to include some of the country's wealthiest citizens, many of whom have large assets abroad, as well as members of the ruling family. The remaining

8,420 debtors, representing about 88 percent, account for only 8 percent of the total.

While many parliamentarians say that the scaled reductions for the smaller debtors are fair and that the elimination of their debts from the overall amount due would free up the system and make the larger repayments more manageable — and less costly in bureaucratic terms to collect — some Kuwaitis think that all debtors should be treated equally.

"I would rather have the same treatment for all," commented the Central Bank governor, Sheikh Salem Abdulaziz Al-Sabah, last May.

The governor has also rejected suggestions from some parliamentarians that those debtors failing to provide financial statements should be named publicly. To do so, Sheikh Salem pointed out, would be to violate laws governing banking confidentiality, a move, he added, that would be particularly unenlightened given that many other countries were tightening up such regulations.

Others argue that the issue of repayments is a highly political one and that some parliamentarians are seeking to gain the support of their constituents at a time when many are unhappy with tales of past corruption in Kuwait's overseas investments and with the lack of economic opportunities at home. They point out, too, that some debts held outside the banks, such as consumer car loans incurred before the Iraqi invasion, are not covered by the plan.

Still others, including many bankers and businesspeople, wonder whether the government will offer assurances that the larger and more influential debtors will receive the same scrutiny as those who owe less.

P.A.S.



### Union Carbide and Petrochemical Industries Co. plan joint venture

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## ADVERTISING SECTION

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## Women in the Kuwaiti Work Force

While women make up one-third of the total Kuwaiti work force, they represent only one-fifth of Kuwaiti workers in the private sector, where nine workers out of 10 are expatriates.

Sector	Male	Female	Total Kuwaiti Work Force	Total Work Force
Public	89,537	42,010	131,547	207,688
Private	7,324	1,375	8,699	399,920
Total	96,861	43,385	140,246	607,608

Source: The Public Authority for Civil Information.

## HEALTH SERVICES STRIVE FOR GREATER EFFICIENCY

**K**uwait's health service problems, not surprisingly, now reflect those of the developed world. Finance and efficiency, rather than the basic level of health care, are now in question.

Constraints on the emirate's finances make it almost certain that health care will be reformed in the near future. At present, health and education are provided free in Kuwait to all the emirate's citizens and registered residents. Although the provision of these services has come in for criticism, it seems unlikely that the government will move rapidly to wholesale privatization of health care services.

Officially, the health service is currently "in a stage of assessment and review." The Ministry of Health is hoping to improve medical efficiency, reduce costs and decrease dependence on foreign medical personnel. In recent months, however, officials have stressed that any moves either to introduce charges for basic services or to privatize elements of Kuwaiti health care will be accompanied by the introduction of a comprehensive health insurance program.

Last September, Public Health Minister Abdul Wahab Suleyman Al-Fawzan was quoted as saying a proposal to impose nominal health care charges on both Kuwaitis and non-Kuwaitis would be presented in the near future to the National Assembly. At present, public health revenues amount to barely 1 percent of costs.

Such ideas have come in for criticism in the National Assembly. A period of reflection is therefore expected before any firm proposals are put forward.

There may, however, be some faster action on private-sector involvement. Finance Ministry officials have raised the possibility of putting hospital management contracts out to tender. This would be an alternative to the outright sale of hospitals to the private sector, but would leave open the option of a sell-off.

The principle of tendered management is thought particularly suitable for small clinics, although in the meantime the public health ministry has continued its own publicly funded programs.

In November, it announced it had received final design plans for a new \$15 million dental complex, to contain no less than 132 specialized clinics, next to the Amiri Hospital.

The reform debate is taking place against a background that is radically different from that of only a decade or two ago. The country enjoys a high standard of living that is reflected in a balanced diet which, in preinvasion days, averaged out at more than 3,100 calories per person per day — as good an average as in Britain or the Nordic countries.

Between 1970 and 1988, average life expectancy rose steadily from 66 years to 74 years, one of the longest in the world. Although the data is still coming in, there is no reason to doubt that such levels are being maintained in postinvasion Kuwait.

The Iraqi occupation was accompanied by the looting of much of the advanced medical equipment in the country's hospitals and clinics, many of which were built during a sustained period of health service expansion between 1975 and 1985 as the Kuwaiti government used its oil revenues for extensive health investment. Thus one of the first projects that Kuwait had to undertake following its liberation was the cleaning and sanitizing of its medical facilities. Within a year of liberation, about 90 percent of the country's clinics, hospitals and health centers were again operational.

An early priority was the reopening of the medical test center where incoming workers are tested for infectious diseases such as AIDS, malaria and tuberculosis. Immigrant workers — defined as laborers coming for more than three months, not transient business visitors — are compulsorily tested, and those found to have AIDS or tuberculosis are routinely deported.

John Roberts

Public health  
revenues  
amount  
to 1 percent  
of costs

## WOMEN GAIN VISIBILITY, BUT NOT YET THE VOTE

**T**he women of Kuwait have carved out a niche for themselves in the history of the Gulf. They have achieved success and recognition across a wide spectrum, from the academic and business worlds to diplomacy and public service. There are women in the police force, and a few have just joined the army.

According to Hamad Munawar, assistant under-secretary at the Ministry of Planning, Kuwaiti women make up one-third of the total Kuwaiti work force. Many have reached the top in their chosen careers; several have received international recognition — but women do not have the

## Kuwait now has a woman ambassador

right to vote. A fierce public debate has developed recently over this issue, intensified by the National Assembly's decision to increase the franchise by including naturalized Kuwaitis in the next elections.

When Iraqi troops first occupied Kuwait in 1990, it was women who started the resistance movements. Women produced, printed and distributed pamphlets and generally harassed the occupying forces; they secretly helped to look after hundreds of foreigners trapped in their homes. Some women, like Asrar Al-Qabandi, 32, paid for their heroism with their lives and were brutally tortured and shot.

Kuwait now has its first woman ambassador as well as its first female university rector — the only such post to be held by a woman in the Gulf. Professor Rasha Al-Sabah, a leading voice in women's rights, was last year appointed under-secretary at the Ministry of Higher Education. Siham Rezooki has been made deputy chairman and managing director of the Kuwait Petroleum Company, and Fatima Hussein is the only woman editor of a Kuwaiti daily newspaper. Last December, Nabila Al-Mulla was appointed nonresident ambassador to Zimbabwe

after serving for more than 10 years as a member of Kuwait's permanent mission to the United Nations. Fayzah Al-Kharafi, who was chosen "Woman of the Year 1993" by the Saudi magazine Al-Majallah, was appointed rector of Kuwait University last year.

Another woman to be internationally honored is Sara Akbar, a petroleum engineer working for Kuwait Oil Company. She helped put out the blazing oil wells after the liberation of Kuwait in February 1991 and received a United Nations award at the International Environment Day festival in Beijing.

Professor Rasha, who was also named "Woman of the Year 1993" by the British publishers of the "International Women's Who's Who," has been a prime mover in the recognition of women, and she is particularly angry about disenfranchisement. "When you think that some of us are descended from families that have lived here for several generations, it is ridiculous that we can't have the vote when they give it to naturalized citizens. It really hurts," says Professor Rasha, the great-granddaughter of Mubarrak Al Kabir, known as Mubarrak the Great, the seventh ruler of Kuwait between 1915 and 1917. She was vice rector of communications and information at the University of Kuwait from 1985 until late 1991, when she resigned.

As an ambitious academic, she had felt discriminated against by the university administration in the 1980s — because she was a woman, although she does not like to dwell on this aspect, and because of her family's association with the ruling house of Kuwait. "In some ways my name has been my biggest handicap," she once told an interviewer.

Nevertheless, her persistence in the cause of femi-



Professor Rasha Al-Sabah, a leading voice in women's rights.

nism has shone like a beacon for others in Kuwait. "You have to remember that in Kuwait women have always run the show, even in the days before oil. When the men were trading in

pearls and went away, it was the women who stayed at home, who tried to supplement the family income and, in fact, controlled the purse strings," she says. "As individuals, they had always had a role to play."

The first schools attended by girls opened in 1937, but it was not until the 1950s that the first Kuwaiti women went out and sought employment. "Now we are everywhere, not only throughout the civil service but in the private sector as well," she says. "We are not like the women in other Arab and Gulf states. We drive cars, we travel alone and we go abroad on our own. If the women of this country stopped working, the government would come to a stop. There are women all over the place, and not just in high places."

Asked why women are succeeding as professionals, she explains that unlike men, women are not side-tracked during their schooling and higher education. "If you are a young man aged 16 or 17, you can have a car, you go out and about and you can meet with your cronies. Girls don't do that here. They are dedicated to their schooling and studies. They don't follow these kinds of distractions."

In her fight for greater political rights, she points out that the Emir and the Crown Prince had both given signals about the "enhancement of the role of women and a desire to give them fuller participation in

public life." She adds that the Emir had positively affirmed the extension of voting rights to women, but since the matter was first raised in the National Assembly in 1971, it has been repeatedly referred back for further discussion. "We are sure," says Professor Rasha, "that it is the wish of the government to grant full political rights, but it is continuously being blocked by parliament."

Not everyone is in favor of giving the vote to women. "Even some women themselves don't want the vote," says Professor Rasha. A recent survey on women's suffrage at the University of Kuwait revealed that 58 percent said "No" to granting women political rights, with only 24 percent responding "Yes."

"Perhaps as many as 70 percent of women are in fact against the vote," admits Professor Rasha. One reason, which is being discussed fairly openly, is the spread of Islamic fundamentalism, whose proponents are finding more sympathy among the female population.

As one observer explains: "While women may not get the vote in the immediate future, there is the risk that when they do, we might end up with a substantial number of Islamic delegates in the National Assembly, which could lead to significant changes in the future of this country."

M.F.

## GROWING SUPPORT FOR POW EFFORTS

**T**here has been no slackening in Kuwait's diplomatic and other efforts to force Iraq to return more than 600 missing persons and prisoners of war taken during the invasion and occupation of Kuwait. Support for Kuwait's demands has

## Missing persons and POWs number over 600

been coming from the United Nations, the European Parliament, the allied powers who took part in the Gulf War and many other countries. U.S. President Bill Clinton has recently taken a direct interest, and the Pope has also been approached.

Dr. Ibrahim M. Al-Shaheen, of the National Committee for Missing Persons and Prisoners of War Affairs (NCMPA), one of the main coordinating bodies seeking information about the missing persons, says Kuwait has handed files and documentation over to the International Red Cross, which has passed them on to the government of Iraq — without result.

"The Iraqi refuse to give any indication, or answer any questions about missing persons. Everything is one-sided," says Dr. Shaheen. The number of missing persons and POWs is now put at 625 Kuwaitis, plus eight persons from Saudi Arabia and a small number of other Arab and non-Arab nationals who were caught up in the conflict.

The European Parliament has written to Kuwait promising support and confirming its resolution demanding Iraq to release all people arrested during the occupation without

delay. It also points to Amnesty International's recent report, which has identified 140 persons, 129 of whom are Kuwaitis, whose fate is unknown since they were arrested by Iraqis.

Kuwait has continued to maintain pressure on Iraq, with almost universal support. The Arab League recently sent a special envoy to Baghdad, King Hassan of Morocco has intervened and the president of the Non-Aligned Nations has promised to help, as have other leaders and statesmen from around the world.

In January, Sheikh Salem Al-Sabah, a former deputy prime minister and foreign minister who heads the NCMPA, became the first senior Kuwaiti official to meet Pope John Paul II since bilateral relations were established with the Vatican. Afterward, the Vatican pledged to do its utmost to secure the release of the detained Kuwaitis and to continue to demand Iraq's compliance with UN resolutions.

Earlier this month, following a visit by an Arab League delegate to Baghdad, a report by the league's secretary-general, Esmat AbdelMeguid, was sent to Duaij Al-Aniz, director-general of NCMPA, who said after a preliminary study that Iraqi officials had indicated "a hope toward solving the POW and missing persons issue." Now and then, local newspapers in Kuwait report alleged sightings of Kuwaitis in Iraqi prisons. In one of the most recent, an escaped Iraqi claimed he had seen five Kuwaitis, including a 12-year-old boy, in Al-Rashid prison. Last October, three Swedish communications engineers released from detention in Iraq also

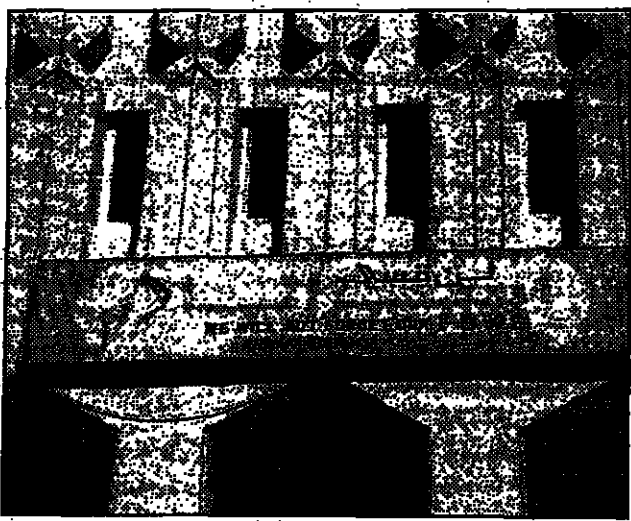
said they had seen and spoken with a number of Kuwaitis among 750 inmates in the Basra prisoner-of-war compound where they had been held.

Such reports inevitably raise the hopes of the Kuwaitis. "We simply have to keep up the pressure, we

said they had seen and spoken with a number of Kuwaitis among 750 inmates in the Basra prisoner-of-war compound where they had been held.

tions laid down were that we had to inform them which prisons we wanted to inspect, only one visit was allowed and our representative had to be accompanied by an Iraqi official. No meetings with prisoners on their own would be allowed."

M.F.



It is a common misconception that the POWs were returned by Iraq after the end of the war.

cannot let go," says Dr. Shaheen. He finds it surprising that there are still many countries unaware of the situation regarding the missing persons.

He explains: "There is a common misconception that all POWs were returned to us by Iraq after the cease-fire, and we have had to explain to many people that this was not the case."

At one point last year, it seemed as if Iraq's position might have changed slightly. Tari Aziz, Saddam Hussein's deputy prime minister, had told the United Nations that Kuwait could inspect Iraqi prisons provided they abided by certain conditions. "These were, of course, totally impractical and quite ridiculous," says Dr. Shaheen. "The condi-

Each time the question about missing persons is posed to Iraq's Saddam Hussein, the answer, if there is one, is always the same: "There are no Kuwaitis in my prisons."

There is, of course, a more sinister aspect of this repeated reply, which goes back to one of the reasons for the original invasion of Kuwait. Iraq has always maintained that Kuwait is historically part of Iraq. After the invasion, Kuwait was proclaimed the 19th province of Iraq, and Saddam Hussein still holds this view. Therefore, when he says there are no Kuwaitis in his prisons, it is because he regards them as having come from the 19th province, and thus they are not Kuwaitis but Iraqis.

M.F.

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## FINANCIAL DATA

1992-1993

(KD millions)

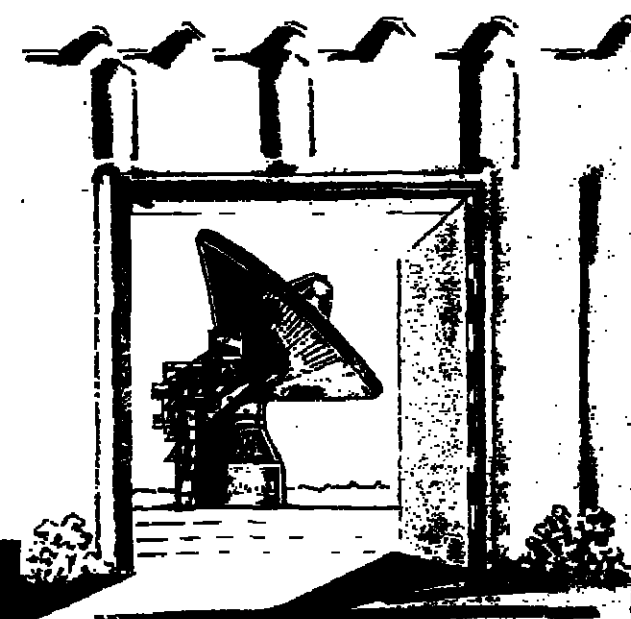
Capital	KD10
Total Assets	KD30
Shareholders' Funds	KD13
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In some districts, more girls than boys are enrolled in kindergarten.

## THE ABCS OF EDUCATION

**E**ducation has made massive strides in Kuwait as the emirate has taken advantage of its oil wealth to invest heavily in all levels of schooling. There is some concern, however, that the educational system, while contributing hugely to the rise of a new and broadly based middle class, is not necessarily training Kuwaitis for a future of increased self-sufficiency.

In 1946-47, when the emirate was still under British protection, there were just 2,160 students, and the budget for education was a mere 83,800 Kuwaiti dinars — then worth around \$350,000. In 1993, with school enrollment topping 250,000, the school budget was set at 340 million Kuwaiti dinars (\$1.17 billion).

Independence in 1961 saw a renewed commitment to education, so that by 1965, Kuwait had secured the remarkable achievement of having a primary school enrollment of 116 percent. This improbable figure was accounted for by the fact that in order to catch up with the backlog, a substantial proportion of primary school pupils were either younger or older than usual primary school age.

The backlog in education persisted right up to the Iraqi invasion, although the provision of free education helped to whittle it down. By 1975, although schooling was compulsory between the ages of six and 14, it was estimated that the true proportion of primary-age children, those aged six to 11, who were actually attending school was just 68 percent. On the eve of the invasion, however, this proportion was up to 80 percent. There remained a small but significant imbalance: the enrollment of girls at both primary and secondary levels seemed to be around 10 percent lower than that of boys, resulting in higher illiteracy rates for women.

There are some signs that this imbalance is now coming to an end. Increasing efforts were made in the 1980s to promote kindergarten education. This, too, is provided free to four-to-six-year-olds and here, at least, the number of girls attending school was almost the same as the number of boys. In some districts there was a higher female attendance.

The quality of education improved steadily during the 1970s and '80s. While the number of pupils attending school rose steadily, class sizes fell dramatically. By 1987, Kuwait's primary schools employed one teacher for every 12 pupils, whereas in almost all the industrialized nations, the ratio is between 20 and 30 pupils per teacher.

Higher education developed along lines common to most of the Gulf states. The University of Kuwait was established in 1966 and was modeled essentially on Egyptian lines. Indeed, its Egyptian staff began by introducing courses in such subjects as cotton growing and railroad transportation, which were not particularly appropriate in a rainless, desert state.

The Kuwaitis rectified this, not the least through the introduction of oil-related courses. A persistent criticism from both Kuwaiti academics and private-sector personnel is that the country's extensive higher educational system is insufficiently oriented toward producing the skills and expertise Kuwait requires in order to shed its dependence on imported technicians and technocrats.

The government sought to remedy this in 1982 through the creation of the Public Authority for Applied Education and Training. Criticisms concerning the skills gap have been even more pronounced since liberation.

John Roberts

## ENVIRONMENT: THE POSTWAR CLEANUP GOES ON

**T**he assessment of environmental damage to Kuwait and its neighbors, resulting from Iraq's decision to blow up Kuwaiti oil wells and discharge crude directly into the Gulf almost three years ago, is still continuing. So is rehabilitation. Iraq dispersed around 4 to 8 million tons of crude oil

### No agreement on extent of damage

into the Gulf, while oil burning from torched oil wells or spilling out from opened valves caused damage on land and in the atmosphere. Ground damage may not be cleared up until the end of the century.

The argument concerning the extent of the damage began shortly after liberation as various scientists reported very different findings. A Greenpeace scientific team wrote in a 1992 report that the conflict "has resulted in an unprecedented disaster for the region, which has been left with a serious impact on the sea, land and atmosphere that will take years to heal."

Feeding areas for birds and marine animals were destroyed. Gulf coastlines in some cases consisted of sediment with up to 7 percent concentrations of oil. Fish catches were down, and the fish themselves were underweight. There was a prospect of increased rates of cancer and birth defects arising from prolonged exposure to air and water pollutants, said Greenpeace.

The report took various

governments to task for failing to take the matter seriously enough to instigate cleaning operations on land and on sea.

On the other hand, a group of environmentalists from the Marine Environment Laboratory of the International Atomic Energy Agency in Vienna flew over the Kuwaiti coast to observe offshore oil slicks. The team reported in June 1991 that "except for some localized oil patches which came ashore, the beaches appeared from the air to be relatively clean." Moreover, analysis of the situation on Qarah Island showed that although some tarballs could be detected on the beach, concentrations were no higher than in prewar days.

The oil pollution took four different forms: in the air, on the ground, on the coasts and at sea. In the air, the smoke initially caused a 10 degree Celsius drop in average temperatures as it blotted out the sun. There were fears that the cumulative air pollution had the power to prevent the monsoon from breaking over the Indian subcontinent. The darkness gradually dissipated, leaving behind a legacy of asthma — and possibly more serious medical conditions as well.

On land, it was quickly demonstrated that giant earth movers could scrape oil off the surface into trenches. But progress is slow, with existing systems able to cope with only 20 tons of crude per hour, while the volumes of crude spilled out onto the desert ran into hundreds of thousands of tons. Some of this

oil, once collected, can be recovered through pumping and filtering, dewatered through use of demulsifiers and then put to commercial use.

Indeed, Kuwait was even exporting such crude in 1993. Still, the government's project to ensure a complete cleanup is likely to take some years to complete, and in the meantime there is concern that in some places oil has seeped into Kuwait's aquifers.

On the coast, after oil slicks came ashore, the Kuwaitis were promptly advised that oil-contaminated beach material could be

able tidal action, this constitutes a self-cleaning process. On Kuwait's northern islands, it would appear that a deliberate decision was taken — in accordance with standard practice — to leave oil pollution in place until it is naturally processed. The reasoning behind this is that damage from cleaning and detergents would be greater than the damage inflicted by the original oil pollution.

At sea, oil both evaporates and disperses before it reaches the coast, making coastal cleanups much easier.

In general, the attitude

tion are finally cleared up. The Kuwaitis are concerned that it be cleaned up, in some cases through cooperation between the public and the private sectors, with local companies encouraged to find ways to develop the country's coastline for both industrial and leisure purposes.

Much of the local research work to date has been carried out by the government-funded Kuwait Institute for Scientific Research, which last August concluded a three-year cooperation study with Japan's Shimizu Corporation to study ways of reha-



Kuwait sustained proportionally less coastal pollution than some of its neighbors.

used in landfills, or disposed of alongside domestic refuse. In general, however, Kuwait appears to have sustained proportionally less coastal damage than its neighbors. This was, of course, largely due to the prevailing Gulf currents' taking much of the Iraqi discharge south, toward the northern shores of Saudi Arabia and the coasts of Bahrain and Qatar.

Where there is consideration among environmentalists was that the Kuwaiti response to the environmental problem was insufficient to meet the scale of the disaster. There was also recognition that, of necessity, the Kuwaitis had to be selective in their cleanup operations.

These operations are still going on, and it may not be until the waning years of the decade that the last physical vestiges of pollution are finally cleared up. The Kuwaitis are concerned that it be cleaned up, in some cases through cooperation between the public and the private sectors, with local companies encouraged to find ways to develop the country's coastline for both industrial and leisure purposes.

## MAJOR DEFENSE-DRIVEN OFFSET PROJECTS PLANNED

**F**ive major defense-driven offset projects are likely to bring \$500 million of investments in general projects, according to the Ministry of Finance. Involved are three U.S. companies — General Dynamics Corp., Raytheon and GM Hughes Electronics — as well as Aerospatiale of France and GKN of Britain.

Just over a year ago, Hughes was awarded a \$92 million contract to supply an air-defense and early-warning system. GKN is supplying about 200 Desert Warrior armored vehicles. Aerospatiale is to provide a missile-testing and support system following an agreement made last month. It has signed a \$5.13

million offset agreement for medical technology and services.

An offset strategy was first mooted in 1991 by the Kuwait International Investment Co. and approved by the National Assembly in July 1992. Under the terms of the offset program, a minimum of 30 percent of the total contract value must be invested in Kuwait if the contract exceeds \$3.3 million. The investment can also take place in other Gulf or Arab states, but priority must be given to Kuwait.

When Paul Pezas, a director of Hughes International Service Co., visited Kuwait last December, he announced that the company would set up a \$27 million joint venture, Gulf Industrial Technology. "We

are chasing business for the new entity in four areas — training, maintenance, logistics management and technical assistance and services," he told the Arab Times.

Hughes, which already has offset agreements in Saudi Arabia and Egypt, was the first foreign defense supplier to launch an offset venture, whose potential clients include Kuwait's defense, electricity and communications ministries. "But we will also go wherever there is technology embedded in systems — in private industry, with exporters and in the region as a whole. We would hope to achieve some synergy with other Hughes offset activity in the region," added Mr. Pezas.

Another major U.S. defense supplier, Raytheon Co., which has sold 210 Patriot missiles and five firing units to Kuwait, has signed a memorandum of agreement for a \$98.2 million offset proposal.

Thomas Peterson, Raytheon's Patriot program international development manager, says the company plans to help design and construct an energy-related plant that will be worth many times more than its original offset contribution in three and a half years' time. He will not identify the proposed project. "Obviously, we are looking at areas where we can take what Kuwait is known for — its energy — and use it for value-added projects, not just for crude-resource production."

M.F.

## CITIZENSHIP RIGHTS ISSUES UNDER DISCUSSION

**H**uman rights in Kuwait means many things: the continuing saga of up to 2,000 Kuwaitis who have disappeared in Iraq as well as the provision of increased political and social rights for various sections of the emirate's population, notably its women and the bedoun, an indigenous but stateless community.

Although women, foreign residents and other non-voters or non-citizens were all involved in the resistance during the Iraqi occupation, Kuwait has continued to restrict both citizenship and voting rights. Citizenship, whether first- or second-class, is still confined to around 800,000 people, some of whom are living



Expansion of the franchise was rejected during 1992.

abroad. At present, 1.4 million people are actually living in Kuwait. The electorate remains much smaller. It is confined to 80,000

people. Expansion of the franchise to include women was rejected by the government during the run-up to the 1992 National Assembly elections.

The government seems to be moving to reject proposals that the bedoun — literally, those without a nationality — should be given full Kuwaiti citizenship. The Kuwait News Agency in January carried a report from the local Al-Watan paper that the Higher Central Committee for Citizenship was considering the issue and had determined that while some bedoun might be eligible for second-class citizenship, granting the non-voting rights of naturalized Kuwaitis, none would be eligible for first-class citizenship.

The problem dates back to 1921, when a list of families living in the emirate omitted a number of Arabs living within its confines. Their descendants are the original bedoun. Full citizenship held by a brother, father or uncle is required for individuals to gain similar status.

While bedoun whose origins in Kuwait go back to 1965 will at least be given permanent residence rights, a second group of bedoun comprising Arabs who have entered the country since 1965 seems likely to fare less well. Unless they already possess proper residence papers, they are considered to be illegal immigrants liable to deportation. Some exceptions are being made for participants in the

resistance or the relatives of actual martyrs killed by the Iraqis.

In recent weeks, the trials of a number of collaborators with the Iraqi regime and the passing of heavy sentences have prompted external human rights organizations to plead for clemency. The government, however, has denied coming under pressure from Western governments on this issue. Pressure to secure the departure of some 400,000 Palestinians and Jordanians resident in the emirate until liberation, on the grounds that Jordan and the Palestine Liberation Organization supported Iraq during the crisis, have led to protests from various human rights organizations.

J.R.

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## KUWAIT'S SKYLINE: NOT ONLY REPAIRED BUT ENHANCED

**T**he tower cranes swing through the sky; on the ground, the roar of dump trucks and bulldozers can be heard as the construction industry swings into action. Consultants estimate that 1.3 billion Kuwaiti dinars (\$4.48 billion) worth of projects have been approved, of which 500 million Kuwaiti dinars' worth are in hand.

Work has restarted on the telecommunications tower that punches high into the Kuwaiti skyline. It has now been renamed "Liberation Tower," and when completed will be 273 meters (900

### Seif Palace will be symbol of Kuwait

feet) high, one of the tallest buildings in the world. The project, worth 80 million Kuwaiti dinars, which includes the ancillary telecommunications ground buildings, is being carried out by the International Contractors Group and Electrowatt Engineering Services of Switzerland.

Fears that there may have been severe structural damage from bombs or missile attacks have proved unfounded. Concrete slip work on the main platform and upper levels is now under way.

Along the waterfront, there are more than a dozen tower cranes at work on one site alone: the huge \$250 million-plus Amin Diwan and Seif Palace project, which was also interrupted by the war. The original palace, one of the oldest buildings in Kuwait, has been frequently extended over the years. The main hall was burned out by the Iraqis, and the clock tower, built in 1973, is still without its clock mechanism.

Twenty-two main contractors started work on the

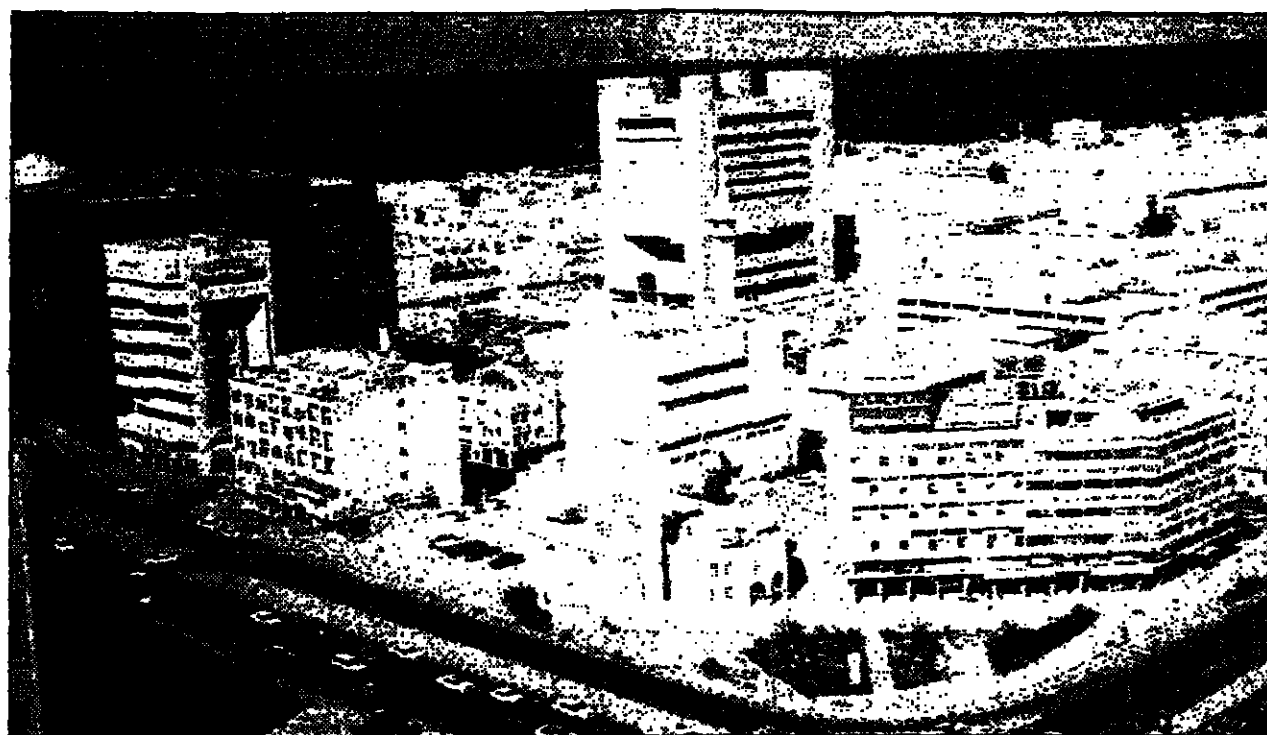
project last August with up to 5,000 men on site under the general supervision of Hussain Al-Sayegh, special projects manager for the ministry of public works.

"Some of the main foundation work had been completed prior to the invasion, but that was all," explains Mr. Sayegh. The site is just over a kilometer long and has a total area of half a million square meters. The main palace hall will be able to seat 1,000 people for dinner. Underground moving sidewalks 850 meters long will link various parts of the palace, and special tracks will accommodate golf-style electric cars.

Part of the project includes a marina with a seawall more than one and a half kilometers long. The whole project is on schedule, and, according to Mr. Sayegh, is due to be completed toward the end of next year. "This is not going to be just another palace for the Emir, but a symbol for Kuwait, like the White House or Buckingham Palace," he says.

The second phase of the Bayan Palace project, which also began before the war, is also under way. It includes guest palaces for six presidents or heads of state, a multipurpose hall that can accommodate up to 1,200 and a mosque. The main conference building, which was virtually destroyed, is being rebuilt at a cost of 160 million Kuwaiti dinars.

Other major buildings under construction or nearing final completion are the National Bank of Kuwait's new headquarters close to the stock exchange, the remarkable "H" building, which will be the 7.5 million Kuwaiti dinar headquarters of the State Audit Bureau near the "Blue Tower," and the new combined head office of the Ministry of Public Works and Min-



The new headquarters of the National Bank of Kuwait towers over the city center.

istry of Electricity and Power, which is costing 35 million Kuwaiti dinars. This is under construction on the 6th Ring Road, which is being completed at a cost of 9 million Kuwaiti dinars.

Other major projects include the rehabilitation of Kuwait University, which is to have a new administrative center. The project is costing about 160 million Kuwaiti dinars. Other projects include a number of dental clinics, a psychiatric hospital, a new building for the Ministry of the Interior and another for the central tendering committee, a science museum, a central post office, a broadcasting center and the improvement of several hospitals.

Due to open any time now is the 17 million Kuwaiti dinar headquarters building in Shukwaik near the port. According to Hamid A. Shuaib, managing partner of Pan Arab Consulting Engineers (PACE), it has been designed so that the four major organizations that will use the building can "feel that they have their own individual headquarters in the building."

The organizations that will move in are OAPC (the Organization of Arab Petroleum Exporting Coun-

tries), Arab Maritime Petroleum Transport Co., Inter-Arab Investment Guarantee Corp. and the Arab Fund for Economic and Social Development.

PACE has also taken part in a design competition for the Kuwait Monument Center to mark the invasion and celebrate liberation in February 1991. The estimated cost of the monument is between 20 million and 35 million Kuwaiti dinars. PACE's design consists of a circular conference and leisure center surrounded by a park with a pier across the sea leading to a memorial hall, designed as a pair of upturned praying hands.

Equally imposing is a plan to bring life back to the city center — the so-called "Champs-Élysées" project. The aim is to create a living environmental area combining the Seif Palace, the seat of government, the stock exchange, the public library, commercial buildings and residential apartments and mosques.

Mr. Sayegh of the Ministry of Public Works says this will be one of the most prestigious ideas ever carried out in Kuwait. It is to be developed over 10 years, and financial guarantees have been arranged.

M.F.

## FUND PROVIDES OVERSEAS PROJECTS DEVELOPMENT AID

**M**ore than \$26 billion of Arab and non-Arab capital has been invested in nearly 5,000 projects in developing countries during the last few years, according to Mamoun Ibrahim Hassan, director-general of the Kuwait-based Inter-Arab Investment Guarantee Corporation (IAIGC). He was speaking at a recent meeting of the Kuwait Economics Society.

One of the main sources of development funding has been the Kuwait Fund for Arab Economic Development (KFAED), which was

### \$7.4 billion has funded 434 projects

established in 1961. KFAED is proud that it continued funding development projects throughout the Iraqi invasion.

By the end of last year, the fund had committed a total of 2.15 billion Kuwaiti dinars (\$7.4 billion) to finance 434 projects in 69 countries. The recipients included 15 Arab states, 30 African countries, 16 South Asian and Pacific countries, four Central Asian and European countries and four countries in Latin America and the Caribbean. Of the funding, 30.87 percent is for transport and communications, 23.79 percent for electricity, 18.78 percent for agriculture, 17.73 percent for industry and 8.18 percent for water and sewerage.

"This year's activities have been characterized by the geographical expansion of fund operations following Kuwait's initiative to extend the fund's activities to include Latin America, the Caribbean and Central Asian countries," comments Nasser Abdullah Al-Roudhan, chairman of KFAED.

He is also Kuwait's second deputy prime minister, minister of finance and minister of planning. "This recognizes the importance of solidarity for development and the need of those countries to support their efforts to overcome difficulties and problems hampering their growth and progress."

Mr. Roudhan emphasizes that it is Kuwait's firm decision to continue aid "despite its scarce financial resources and the substantial losses it has sustained as a result of the occupation."

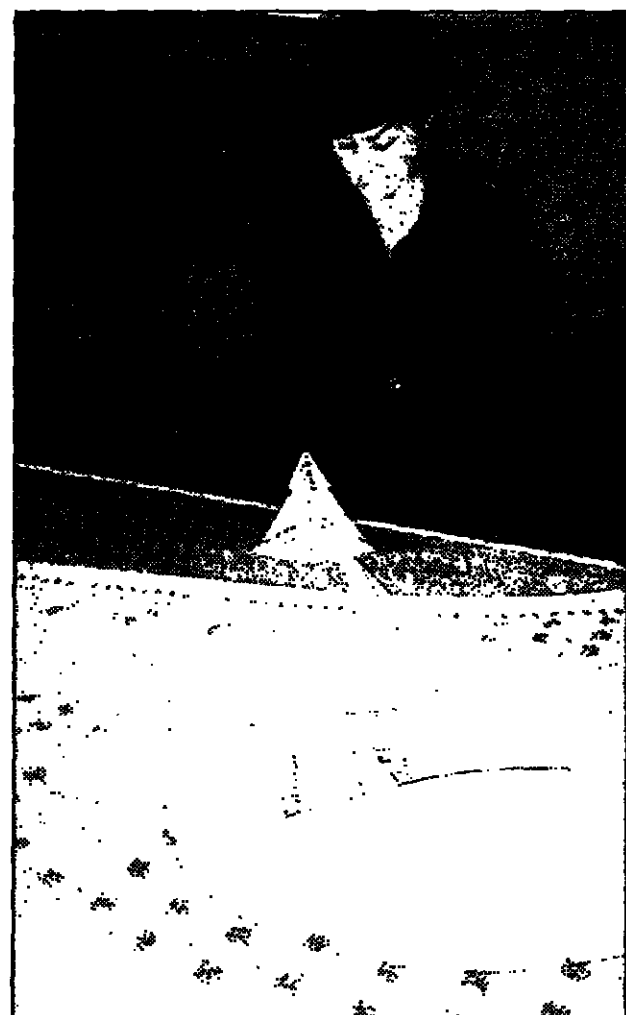
Continued funding was part of the strategy designed to enhance its political, economic and trade relations with these countries.

In addition to providing loans, KFAED has also committed 29 million Kuwaiti dinars to technical assistance and grants-in-aid. Just over 24 percent of this went to African countries. Apart from providing loans and aid, the fund has also been acting as adviser and consultant to many recipient countries to ensure the satisfactory implementation and viability of projects.

"Many recipient countries," according to the KFAED, "need assistance to ensure that third parties perform their contractual obligations as required and in accordance with agreed terms and conditions."

The scope and range of KFAED loans are extremely diverse. They include projects from improving highways in Cyprus, airports in China and Beirut's telephone system to an irrigation project in Vietnam and drilling freshwater wells on St. Kitts and Nevis in the Caribbean. These are in addition to the bulk of the loans, which are for major projects in the Arab world, including cotton spinning mills in Syria and land reclamation in North Sinai.

M.F.



One of the models of the proposed new monument to mark the liberation of Kuwait after the Iraqi occupation

M.F.

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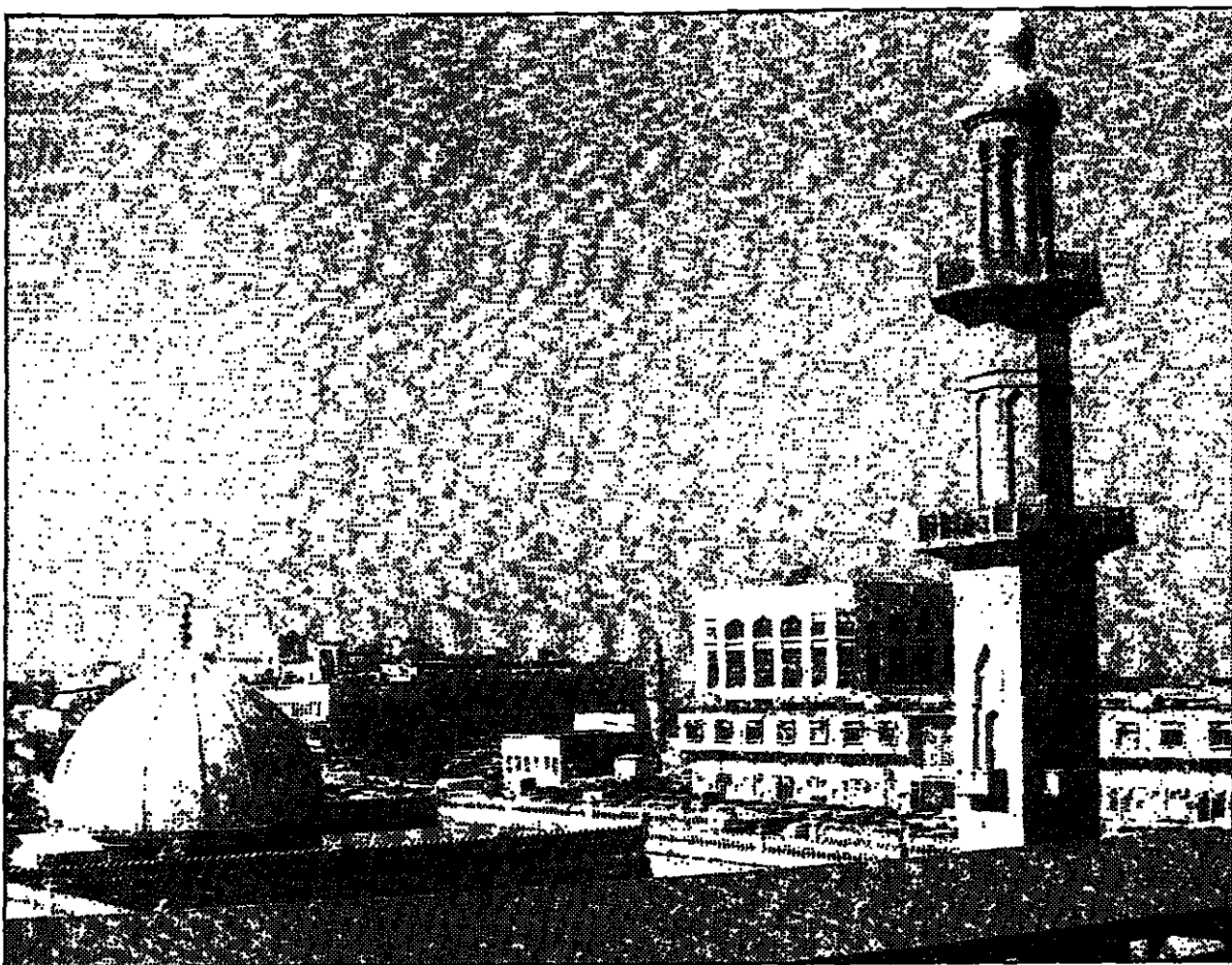
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Mosques and minarets across a changing skyline in Kuwait City. Falling oil prices may slow construction activity.

## OIL INDUSTRY STREAMLINES OPERATIONS

**S**everal major issues now confront the oil sector in the light of falling oil prices. These issues, which have led to fierce debates in the National Assembly, include a detailed damage-assessment report on the oil reservoirs, a recommendation to privatize 25 percent of Kuwait Oil Company and whether to allow joint production-sharing agreements with more foreign companies.

Current oil production is approximately 2.2 million barrels a day; recoverable reserves are said to be about 94 billion barrels, or 10 percent of known global reserves and enough to continue current production levels for about 100 years.

Refining capacity now totals about 580,000 barrels a day and is expected to reach maximum capacity of 800,000 barrels a day by next year.

Oil industry sources claim that Kuwait has been

**Current oil production is about 2.2 million barrels/day**

under strong pressure to reduce oil prices well below world market levels, which are now about \$14 a barrel. Discounted prices are said to be under \$10, and in some cases - sales to China, for example - may be under \$9 a barrel.

Jasem K. Al-Sadoun,

general manager of Alshall Economics Consultants, says the government should not be so generous in rebuilding its oil sector, and urges caution so that costs can be reduced and management restructured. "There are too many 'yes men' in the oil sector," he says. "We need more aggressive and active management. This will come, but it is going to take time."

One way of reducing costs would be to accept foreign involvement and technology.

Ali Al-Baghli, the oil minister, has said that rebuilding the oil sector could cost as much as \$10 billion, of which more than \$2 billion has already been spent.

A statement from the Ministry of Oil earlier this month said that the Supreme Oil Council considered that the involvement of foreign companies could reduce production costs. These are said to be rising from \$1.50 or slightly less last year to nearer \$1.80 a barrel today.

Mr. Sadoun believes that involving foreign companies in the oil sector would ensure fairer bidding for contracts and help to reduce the participation of unqualified companies and unfair agreements.

Kuwait is still suffering from the oil lates left as a result of the invasion and liberation war. According to Ibrahim Al-Rafai, head of the geology faculty at Kuwait University, more than 20 percent of the country is covered by oil lakes.

A preliminary report by international consultants on the damage to the oil reservoirs after all of Kuwait's 600 wells were set alight suggests that little harm was done to the main Burgan oil field, which has 50 million barrels of reserves, just over half of Kuwait's total oil reserves. Mr. Sadoun says the full report will be made public next August.

According to a statement from the oil ministry, the report said the total oil lost during the war was three

times the production level at the time. This would amount to just over 2 billion barrels, about 25 percent higher than industry sources had earlier estimated.

Rapid progress has been made in getting refining capacity going again. Foster-Wheeler Management Operations, contract managers for the rehabilitation of Kuwait National Petroleum Co.'s three main refineries - Mina Al-Ahmad, Mina Abdullah and Shuaiba - has been working ahead of schedule. It will be closing up its operations on March 31, exactly two years after work began.

According to Chuck Fegley, FW's project director, one of the keys to getting production back ahead of schedule was KNPC's allowing FW to do its own purchasing. "We are proud of what we have been able to do in the time," he says. "We had good cooperation with KNPC, a good working relationship. Although there were a few rough spots, KNPC wanted to get its house back in order, and we wanted to finish on time." In fact, FW is about three months ahead of schedule and is now in the final stages of preparing the hand-over to KNPC.

Union Carbide of the United States and Kuwait Petrochemical Industries Co. (KPIC) have signed a \$2.35 billion agreement to build a new world-class petrochemical complex. It is due to come on-stream in 1997 and will have a 650,000-ton-per-year ethane cracker. The complex will have the capacity to produce 450,000 tons a year of fully flexible UNIPOL-process polyethylene, and 350,000 tons a year of ethylene glycol. Before the war, KPIC operated one of the largest nitrogenous fertilizer complexes in the Middle East. It contained four ammonia and three urea plants, which had a capacity to produce 750,000 tons of urea and 700,000 tons of ammonia a year.

M.F.

## OLDEST BANK DIRECTOR ACTIVE AT 110

**K**haled Abdulatif Al-Hammad is the oldest bank director in the world. According to the Islamic calendar, he is 114 years old, which makes him approximately 110 by the Gregorian calendar. He will be 111 years old in May and still plays an active role in his bank.

He was one of the original founders of the National Bank of Kuwait in 1952. Since then, he has been attending the bank's Wednesday credit committee (it decides the creditworthiness of borrowers)

### Deals once struck with a handshake

every week, and he has rarely missed a meeting. His contribution has always been invaluable as he, more than anyone else alive, knows everyone there is to know in Kuwait and what their standing is in the community.

Mr. Hammad is a venerable, dignified person as bright and sharp as he ever was in his younger days. As he sits in his diwan before a large model trading dhow, in front of which is a large brass alarm clock so that he can keep track of the time, he reminisces about the old days. "There were no courts, and merchants used to settle disputes among themselves. One would be an expert in shipping, another in diving [diving for pearls was once the only business in Kuwait], and these elders would sort out the problems."

"Things have changed very much in this respect. There is a different attitude

toward money today; it is for the worse. It is much more difficult to deal with people today compared to the old days. People used to keep their word and were honest."

He remembers when merchants used to strike a deal with a handshake or just on the basis on their word. A dhow would go off and collect a cargo, deliver it and return, and the merchant would get his money without any kind of agreement in writing.

"Everything today is so much more sophisticated, but I don't think the system is as good as in my time," says Mr. Hammad, his eye on the ticking clock.

His earliest memories are of the hustle and bustle of the port as dhows came and went with cargoes of dates, fruit and other foodstuffs. These would be exchanged for pearls with traders, who would go off to Europe to seek buyers at hotels in Paris, Nice and Rome.

He made his money by trading in dates, which he would buy from Iraq and sell to pilgrims going to Makkah. These would be exchanged for textiles, carpets, fruit and foodstuffs; it became a lucrative business. He was also an agent for suppliers in Aden, Somalia and Ethiopia. As his trading activities expanded, he began to invest in property wherever he was trading. Gradually his empire expanded to all areas of Arabia and the Horn of Africa.

In 1952, the British Bank of Iran and the Middle East (now the British Bank of the Middle East, part of the Hongkong Bank Group), withdrew from Persia and moved into the Gulf. It

gained a concession from the Emir of Kuwait to open a branch. Mr. Hammad led a group of merchants who went to the Emir and suggested that Kuwait should have its own bank. The Emir agreed and gave his consent. "It was all done with a verbal agreement," recalls Mr. Hammad.

The new bank, the National Bank of Kuwait, opened on Nov. 18, 1952 with a capital of 13 million Indian rupees (the common currency of the Gulf), equivalent to 1 million Kuwaiti dinars. Today, the bank's capital is 330 million

1936, after they had been married 25 years. His present wife, Lulwa, (it means Pearl of the Sea), is now 80 years old. They have two surviving sons and a daughter, who has four girls and a boy.

As the alarm clock suddenly chimed 7:00 P.M., suggesting that the meeting was over, Mr. Hammad spoke about his three pilgrimages to Makkah. On one occasion he went by camel. "It was very hard going, but I was very fit," he said. He may have his memories and likes to pray



"Now, they all want to retire at 45, but not me. I am not even thinking about it."

Kuwaiti dinars. Almost all the directors and senior management were Kuwaiti, and the bank immediately attracted deposits from merchants engaged in foreign exchange and the highly profitable gold-trade. Mr. Hammad played an active role in the bank ("But I never received a cent"), attending meetings and visiting the branches "to encourage the staff." Now, he says, "They all want to retire at 45, but not me. I am not even thinking about it."

When the Iraqis invaded Kuwait, Mr. Hammad stayed in his house, never going out until the liberation. He has been married twice. His first wife died in

for most of the day, but he still keeps abreast of current affairs by listening to the BBC and Voice of America on the radio.

As one who has lived through more troubled times than almost any other Arab alive, he comments favorably on the United States' action in pulling the Arab world together by helping to arrange the peace process with Israel.

But he issued a final warning as his alarm clock ticked on: "People are afraid of the North Koreans and the Russians today. If the North Koreans have the nuclear bomb, it will not be a good thing for the rest of us."

M.F.



One of the World Bank's suggestions is that foreigners be allowed to buy shares of publicly quoted companies on the stock exchange.

## WORLD BANK PROPOSES PRIVATIZATION

**W**hen the World Bank report on revitalizing the Kuwaiti economy became known last October, it provided the kind of shock treatment needed to shake up Kuwaiti opposition about the long-term economic future of the country.

In no uncertain terms it suggested a "sink or swim" strategy for the future: privatize almost everything - from health services to power, water and part of the oil sector - cut subsidies and slash overmanning in both public and private sectors. It identified a total of 74 companies and entities owned or partially owned by the state to be privatized.

This month, Nasser Al-

Roudhan, minister of finance and planning, announced a major privatization program to be spread over five years. "Privatization is aimed at striking a balance between the public and private sectors, employing national labor, creating new investment opportunities and attracting

### A future strategy of 'sink or swim'

foreign capital," said Mr. Roudhan. He said there were 62 companies in which the government had a total investment of 800 million Kuwaiti dinars (\$2.75 billion) worth of shares.

In a non-sensical report, the World Bank advised the Kuwaiti government to "sell

everything." This is already coming into effect. The KIA is now setting up a special privatization office to handle the transfers as it is the major shareholder or outright owner of 62 companies.

The World Bank says 23 of KIA's companies could be privatized quickly with few complications; it suggests that six companies should be liquidated "and thus establish the precedent that the government will no longer bail out or rescue companies in financial difficulties"; and 33 companies (of which 24 are banks or investment groups) should be analyzed in greater depth to determine the next step.

The bank is sharply critical of inefficiency, commenting on overstaffing in the public sector, low productivity and excessive protection of the private business sector. It says that the greatest obstacles to privatization have been the incentives to encourage Kuwaitis to work only in the public sector. It suggests that "fiscal dividends" should be paid to stop Kuwaitis seeking jobs in the public sector, which would result in less reliance on expatriate labor and an overall higher income for Kuwaiti citizens.

At present, 96 percent of the total Kuwaiti work force is employed in the public sector. The World Bank suggests that foreigners be allowed to buy shares of publicly quot-

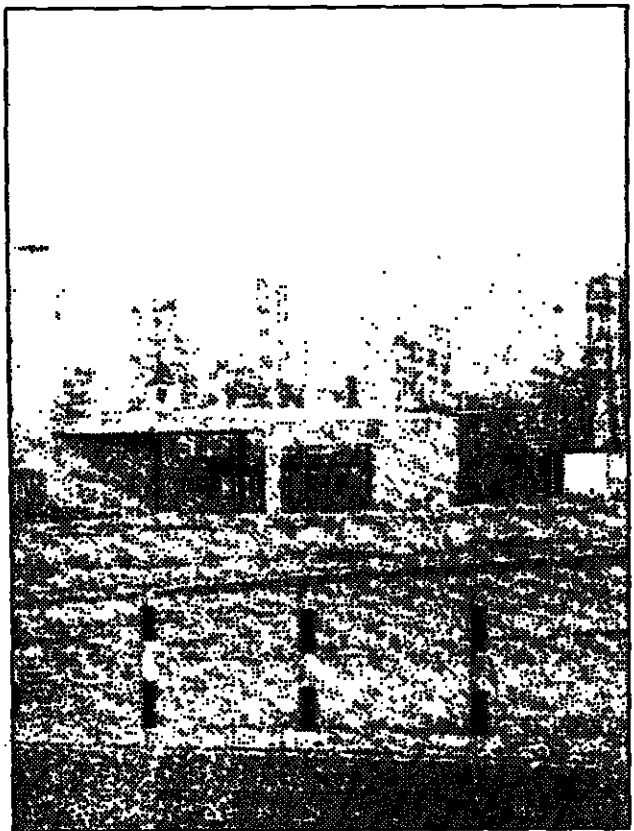
ed companies on the stock exchange or in other companies on the same basis as Kuwaiti citizens. Also, it suggests that foreigners be able to conduct business without the need for a local agent and advises that registration of new companies be streamlined.

Public services currently provided by the government - transport, power and water - should also be privatized, according to the bank. It says that the government might want to retain 25 percent of Kuwait Airways Corporation, but adds that there is no need for it to retain any share of public service companies following the deregulation of ministries.

The bank's most controversial recommendations are in the oil sector. It wants to see improved "corporate governance" and a reduction in management conflicts of interest. Kuwait Petroleum Company, it says, should be transferred to the new Privatization Office and run on stricter profit-making lines, while oil policy functions should be left to the Ministry of Oil.

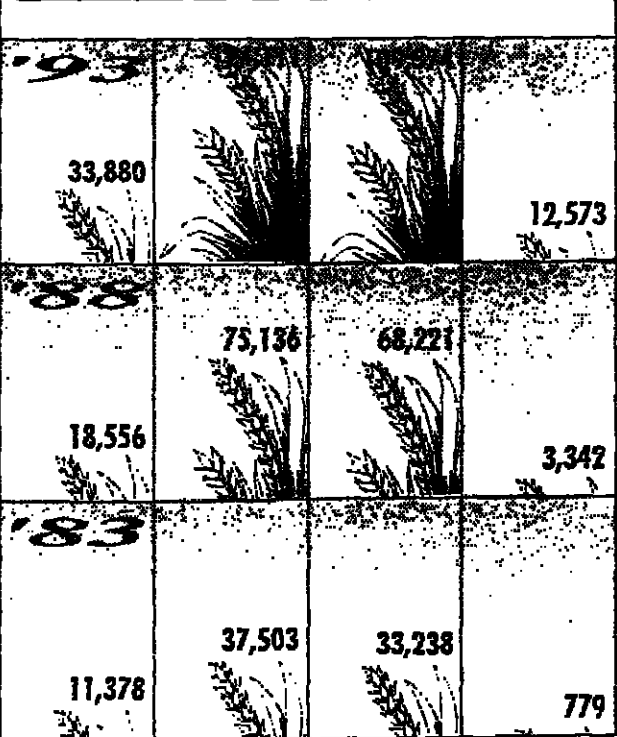
The bank advises that after a transitional period, KPC be publicly quoted and up to 25 percent of the 6 billion Kuwaiti dinar capitalization be available to foreign investors. Non-core business should also be privatized, it recommends.

M.F.



Refining capacity is now 580,000 barrels a day.

## A DECADE'S HARVEST

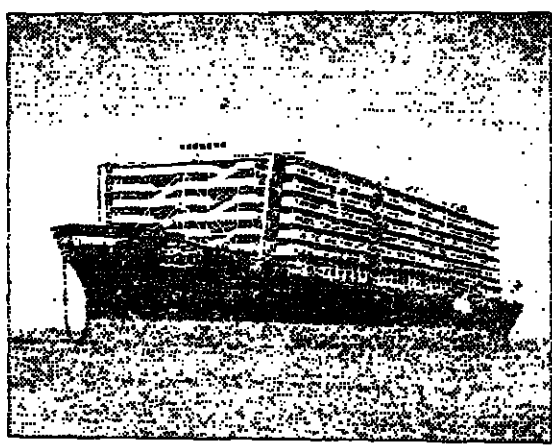


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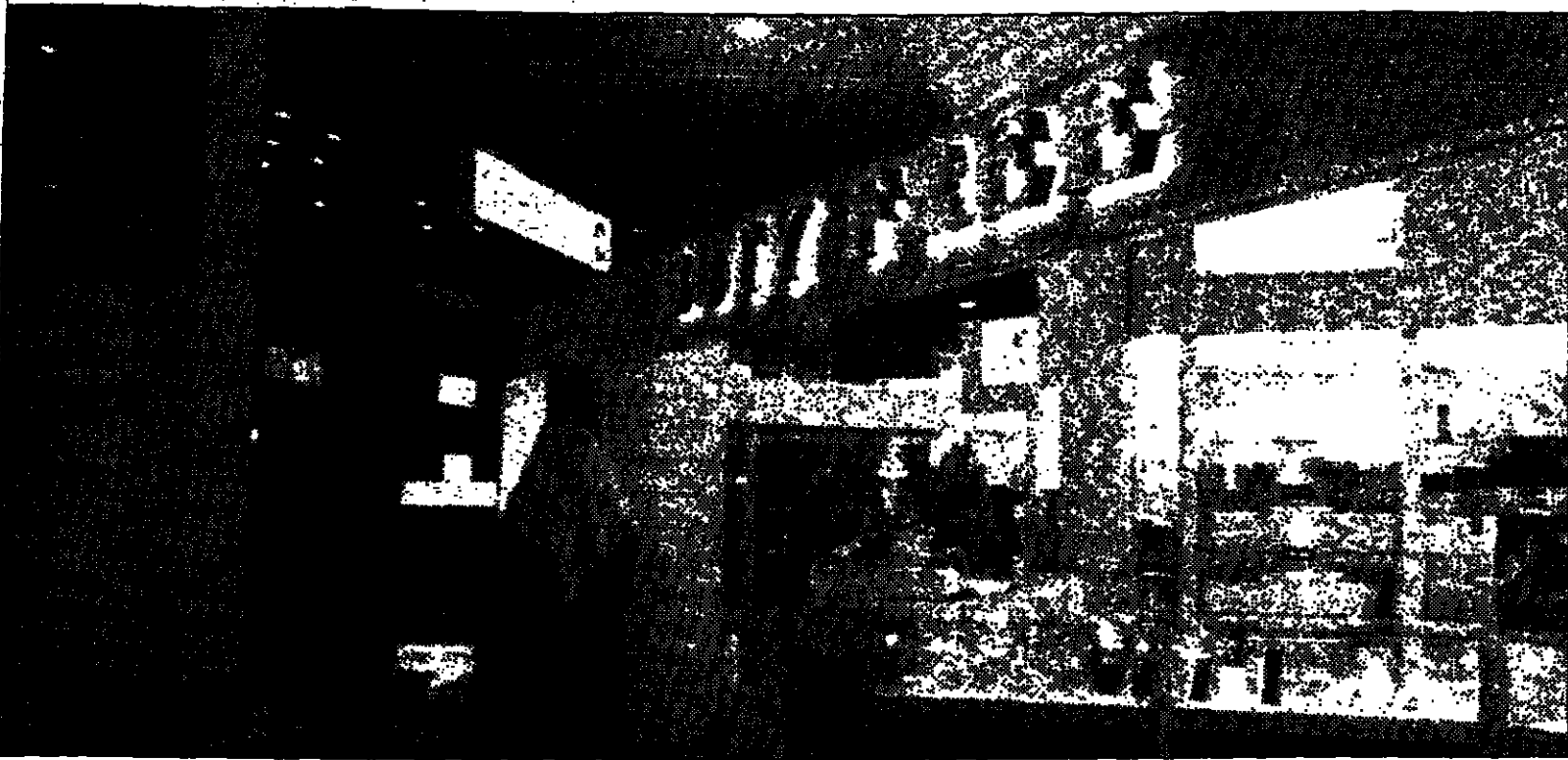


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Kuwait boasts the Middle East's newest duty-free shopping complex, which has an area of more than 800 square meters.

## DUTY-FREE SHOPPING: SPLENDOR AND ARRAY

**A** glittering spectacle of gold jewelry and diamonds forms part of a dazzling display of luxury fashion goods, fragrances and electronics in the Middle East's newest duty-free shop at Kuwait's International Airport.

Three years after Kuwait's liberation, the airport's main terminal buildings and approach have been fully restored and much improved. There are new cafeterias, refurbished waiting lounges, better lighting and many additional features - including

prominently labeled "public shelters." Passenger traffic through the airport has been rising rapidly since the war. In 1992, it was 2.8 million, and that figure rose by 15

**Havana cigars are proving popular**

percent last year and is expected to increase by about the same amount this year.

"Kuwaitis really love to travel," comments an official at the airport, which is now set to become one of the busiest in the northern

Gulf. "This is why we have tended to cater to their special needs in the duty-free shops - gifts and presents."

Irishman Denis Kelly is operations manager for Airport Duty Free, which is managed and operated by Habchi & Chalhouh. He has been involved in setting up the duty-free complex since he arrived on the scene last September.

The complex has a staff of 90 and a shopping area of more than 800 square meters, with both airside and landside outlets. It makes a dramatic contrast to the meager facilities that existed before the war. Mr.

Kelly is more than pleased with the encouragement and cooperation he has received from the directorate-general of civil aviation and the customs directorate in establishing the duty-free complex.

There is a special display of gold - including a wide variety of Italian manufactured jewelry - diamonds and other precious stones just beyond the immigration check on entering the departure area of the terminal.

"These items are proving very popular," comments a duty-free official. Other counters display cosmetics, fragrances, photographic

equipment, fashion accessories, watches, lighters, toys, premium gifts, food and confectionery.

Kuwait's duty-free operation also prides itself on its extensive range of cigarettes, one of the widest available in any Gulf duty-free shop. Prices are also very competitive - a carton of Marlboro Light 200 costs only 2.65 Kuwaiti dinars (\$7.95). There is also a big selection of Havana cigars, which are proving popular as they are unavailable in Kuwait itself. All items are priced in Kuwaiti dinars and U.S. dollars.

M.F.

## FLAG CARRIER MAKES UP FOR LOST TIME

**T**here is an air of increased dynamism in Kuwaiti aviation these days. More flexible forms of financing and more innovative approaches to pioneering new routes and operations have come to the fore as Kuwait Airways Corporation has bounced back from the occupation.

The airline has moved with alacrity to refurbish its fleet following the devastation wrought by the Iraqi

**Joint ventures are under way in region**

invasion and occupation, when its Kuwait-based aircraft were seized by Iraq, flown to Iran and finally returned in distinctly shopworn condition.

No sooner was Kuwait liberated than it placed an order for 11 Airbus Industrie planes. At that stage, it had only eight operational aircraft. Some of the new planes arrived in 1992, while others were leased temporarily. The bulk of the Airbus order was delivered last year. The airline also has two Boeing 747s on order.

Initially, the airline was intensely involved in reconstruction efforts. This enabled it to make a startling recovery in 1992, when it carried 61,718 tons of cargo, becoming the Arab world's third-busiest

cargo carrier in its first full year of revived operations.

Of necessity, KAC is likely to prove both a leaner and more innovative operation in its postwar incarnation. It has accepted the World Bank's proposal for privatization with a sell-off to the public, a 25 percent stake of which will be reserved for Kuwaitis.

The airline has become much more flexible. The first four of its Airbus Industrie purchases were made using export credits provided by the European manufacturing companies, but the remaining group of seven were acquired under an innovative financing arrangement concluded with the Kuwaiti-based International Investor Group.

This group aims to provide specifically Islamic financial instruments to help

promote major commercial deals. In the case of the KAC Airbus, International Investor arranged for 140 million Kuwaiti dinars (\$482 million) in lease financing last summer, under an arrangement by which KAC took delivery of seven Airbus Industrie aircraft, three A300-600s, three A310-300s and one A320-200.

The planes were delivered during the summer. Under the agreement, KAC has the option of purchasing the aircraft outright during a nine-year leasing and lease repayment period.

KAC may still dominate the local aviation sector, but it is also willing to try new joint-venture approaches to develop fresh business. In 1993, it formed a joint venture with Egyptian aviation interests to create Shorouk

airlines, which now flies Airbus on routes linking Kuwait with Cairo and Beirut.

KAC also has plans to develop a joint venture with the state-owned Syrian Arab Airlines for long-haul services to South America and Australia from Damascus and Kuwait. The company's official startup time is early 1994, with actual operations anticipated in the middle of the year. KAC and its Syrian partner is also considering construction of several associated facilities, including a new hotel in Damascus and service units at Syrian airports. In India, KAC has taken a 20 percent stake in the newly established intercity air-taxi service, Jet Airways.

Kuwait International Airport was badly damaged by the Iraqis, with all its advanced avionics equipment looted or destroyed. A prewar master plan for the airport, prepared by Aeroport de Paris, was revised by the Netherlands Airport Consultants with a view to resuming normal service as soon as possible and drafting initial plans for the construction of a new airport in the late 1990s.

Key elements in renovation work have included construction of a new administrative center and headquarters for KAC and the installation of a new communications system.

In the long term, the Kuwaiti authorities want to see KAC maintaining both its own and foreign aircraft at its maintenance facilities, which before the invasion were among the most sophisticated in the Middle East.

J.R.

## IN THE WORKS: A FREE TRADE ZONE

**A** major development in the Gulf region is the creation of a free trade zone in Kuwait. The zone is expected to be established in the near future and will provide a platform for economic growth and development.

The zone is expected to be established in the near future and will provide a platform for economic growth and development.

Kuwait's 12th and probably last minister of the interior, Captain Abdul Rahman Al-Mutairi, said that the zone is expected to be established in the near future and will provide a platform for economic growth and development.

The zone is expected to be established in the near future and will provide a platform for economic growth and development.

Turkey and the Central Asian Republics. "There is a need for an FTZ in the Persian Gulf," he says. "We have had merchants from Iran saying they have had difficulty getting into Kuwait to buy goods. He said that an FTZ would ease problems for foreign importers."

The report, prepared by the ETC Consultancy in Rotterdam, recommends a 200,000-square-meter area in the port of Shuaiba Port.

M.F.

## TELECOMMUNICATIONS ENTERS THE PRIVATE SECTOR

**N**ext June should see the launch of Kuwait's first privatized company, Kuwait Communications Co. Following the initial issue, shares will be floated on the Kuwait Stock Exchange.

Habib Jawhar Hayat, minister of communications, says that the process of transforming the ministry into a shareholding company is going smoothly.

Within days of the liberation three years ago, mobile

of limitations in expanding the existing system and exorbitant replacement costs," says Abdul Aziz Al-Ayoub, chairman and managing director. The first system was introduced in 1972, making Kuwait a pioneer of mobile communications with the biggest international system in the world. It had 4,800 subscribers with what was then

and mobile voice and fax retrieval systems. "We hope to once again be the first in the Middle East with such a system," says Hamad Al-Sabah.

With the rapid spread of telecommunication facilities, Kuwait hopes to establish itself as a hub for public data network services, many of which are provided by Gulfnet International

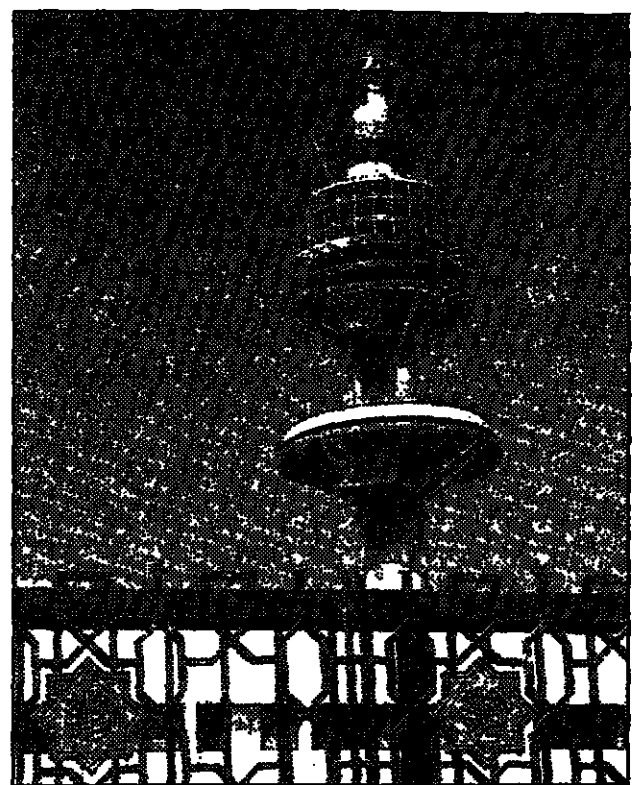
### Mobile network will serve 50,000 clients

satellite communications were in operation, putting Kuwait in touch with the world again. Today, Kuwait, which has a capacity of 600,000 installed lines (almost one line for every Kuwaiti man, woman and child, although only about half are fully functional), is making a leap in mobile communications that will bring in some of the most advanced technology.

Mobile Telephone Systems has just signed a \$32 million contract with Motorola's International Cellular Infrastructure Division for a nationwide global system for mobile communications (GSM). The first phase will provide channels for 30,000 subscribers and will be ready by August. This will be extended to 50,000 subscribers within a few months. There will be 30 base stations.

"All GSM calls are scrambled, and we will have much better quality as well as roaming facility. At present, this extends to the emirates, Qatar and Bahrain," says Hamad N.A. Al-Sabah, MTC's marketing director. The government has a 19 percent share in the company, which was formed in 1983 with a capital of \$85 million following a decision to privatize mobile communication services.

"This was done because



Work has restarted on the telecommunications tower after a three-year break.

the latest car phone technology.

Following Desert Storm, Ericsson of Sweden gained the contract for rebuilding the mobile network. This started with 30,000 subscribers, and after two expansions, the total number last year had risen to 70,000.

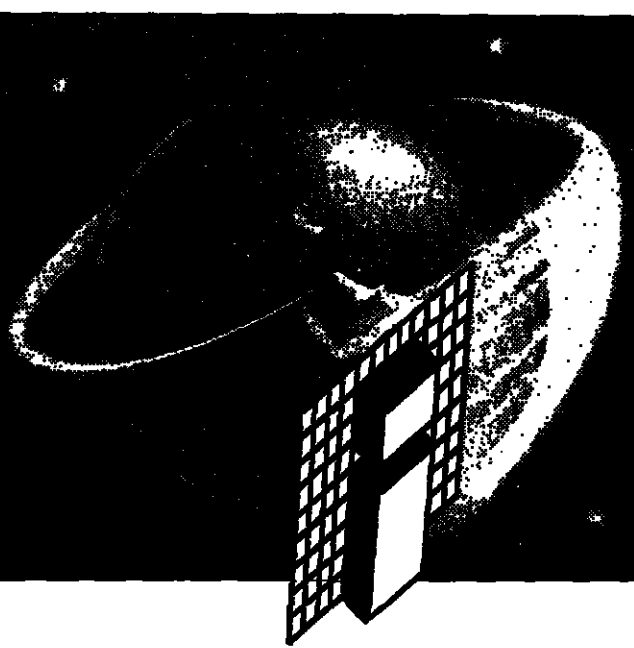
The latest fashion accessory in Kuwait today is the pager now available in credit-card form. In 1985, when they were introduced, there were 624 units. The numbers shot up and there are now over 100,000 in use. Now MTC is studying a vehicle location system

through its marketing arm, Kuwait Electronic Messaging Services. The company provides the facilities and services for all kinds of communications, from telex to E-mail. One of the anachronisms of Kuwait today has been the growth in telex, while in the rest of the world, faxes have virtually replaced telexes.

"There are now 554 telex machines as we find that many Kuwaitis like to be reassured by the chatter-clatter of the old telex, especially in the ministries," comments Majeed Sharif, general manager of KEMS.

M.F.

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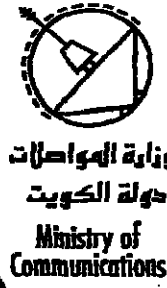
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# SPORTS WINTER OLYMPICS

## Baiul Hurt in Collision at Practice

By Christine Brennan  
Washington Post Service

**HAMAR** — A freak collision Thursday between Oksana Baiul of Ukraine, the world champion who is a favorite to win a gold medal, and Tanja Szewczenko of Germany, left both skaters injured and the outcome of Friday night's women's figure skating competition very much in doubt.

Baiul, who finished second to Nancy Kerrigan in the technical program Wednesday night, was cut on the shin bone of her right leg, which required three stitches. She also has a sore lower back, said Dr. Gunnar Hattevig, who treated Baiul at the arena.

Asked if Baiul would skate Friday, Hattevig replied that he thought she could. Asked if the injuries, especially her back pain, might affect her skating, he replied: "It might."

Viktor Petrenko, the 1992 Olympic gold medalist who is married to the daughter of Baiul's coach, said a decision would be made sometime Friday. But Petrenko said he didn't imagine the 16-year-old world champion would miss the competition.

"She will come, even if it's on one leg," he said.

Szewczenko, also 16, suffered a bruised hip and was hit in the ribs as the two skaters, both going backward at a high rate of speed, collided near the boards by center ice as Kerrigan and others practiced elsewhere on the rink.

Szewczenko briefly returned to practice, but soon left. Baiul never came back. The collision stole the spotlight from the

seven-week-old saga of Kerrigan and Tonya Harding, the two U.S. skaters who find themselves in entirely different positions heading into Friday's long program.

After unprecedented publicity and attention, the battle isn't between Kerrigan and Harding anymore. It's now between Kerrigan, Baiul and France's Surya Bonaly — and between Kerrigan and her own infamous anxieties.

Never before in a major competition has she successfully completed both a short and long program without a major error. If she does it here, she is likely to win the gold medal, because she skates a more difficult program than Baiul, and is likely to be awarded higher artistic marks than Bonaly, who is third, and China's Li Chen, in fourth.

Meanwhile, Harding, who made two crucial mistakes in her short program and fell to 10th overall, is fighting simply for respect. Although she said Thursday that she was "going for the gold," seventh or eighth place is a much more reasonable target.

Practicing in the group before Kerrigan — the skaters have been regrouped, based on their short-program performances — Harding stopped six times during her four-minute long program and never tried her difficult triple Axel. She looked weary and unenthusiastic as she skated; a figure skating source said Harding spent Wednesday night in her room, and had not been seen around the Olympic village on Thursday morning.

Harding is planning to try six triples in all, the same number as Kerrigan and

Szewczenko. Chen and Bonaly are scheduled to try seven, with Bonaly throwing in a quadruple Salchow as well.

Baiul has five triples in her long program; Katarina Witt, the 28-year-old two-time Olympic gold medalist who is sixth, has four.

Kerrigan, 24, the 1992 Olympic bronze medalist, combines artistry and athleticism as well as any skater in the competition. She includes every triple but the Axel, and she also is likely to receive either the highest or second-highest artistic marks, behind Baiul.

To stay close to Kerrigan technically, Baiul must try a triple-double combination jump, which she has not accomplished in a long program since her sudden arrival on the world stage last year. Baiul might start with a triple Lutz-double toe combination, but her coach, Galina Zmievskaya, said that whatever she does, it will be a "surprise."

Kerrigan, who performs two combinations in her routine, tries a triple toe-triple toe after her initial triple flip, and later includes a triple Salchow-double toe loop. A triple-triple is more difficult technically and thus is better received by the judges than a triple-double.

Bonaly, the best jumper in the field, attempts a triple Lutz-triple toe and triple loop-double loop.

It's uncertain how Baiul's injury will affect her, but, whatever the case, Evi Scottvold, Kerrigan's coach, said his skater is the one to beat.

If both women skate perfectly, "Nancy

wins," Scottvold said. "She's better, she's stronger all-around. Oksana has the artistry but Nancy has that too. Nancy's better overall. Nancy's a better jumper and she's more consistent."

"I've never been so confident and so ready to do a long program," Kerrigan said.

The reason, according to both Kerrigan and Scottvold, is what happened at the 1993 world championships in Prague last March. There, Kerrigan started a flawless short program to move into first place, just as she did here. But, in the free skate, she landed only two clean triples, turning others into singles or doubles, and dropped to fifth overall.

"I've trained better mentally to prepare for a long program and I've had more practice on long programs this year than I've ever had in my life," she said.

Kerrigan will skate second in the final group Friday, following Chen. Baiul comes immediately after Kerrigan, followed by Szewczenko, Bonaly and Witt.

As for Baiul, this is not the first time she has injured her lower back in practice the day before a major competition. At the world championships last year, she ran into the boards after landing a jump and hurt herself, said her manager, Michael Rosenberg.

"I'm not sure how this will affect her," Rosenberg said, "but Nancy's long program is her weakness and Oksana's long program is her strength. But this injury throws everything wacko."

## Women's Skating 3d Most-Watched U.S. Sports Event

The Associated Press

**NEW YORK** — The Olympic showdown between Nancy Kerrigan and Tonya Harding was the third highest-rated sporting event in U.S. television history and the sixth highest-rated program.

Wednesday night's CBS Olympic coverage got a 48.5 rating and a 64 share, Nielsen Media Research said Thursday.

The three highest-rated are the final episode of "M.A.S.H." in 1983 (60.2), the Who-Shot-J.R.? episode of "Dallas" in 1980 (53.3) and an episode of the miniseries "Roots" in 1977 (51.1).

The Olympic coverage also trailed the 1982 Super Bowl between San Francisco and Cincinnati (49.1) and the 1983 game between Washington and Miami (48.6).

Each rating point represents 942,000 homes and 1 percent of the total television households in the United States. The share is the percentage of televisions in use at the time.

CBS estimated 110,530,000 people watched its coverage Wednesday night, the eighth-highest audience ever for U.S. television.

## Justice Is Done

By Tony Kornheiser  
Washington Post Service

**HAMAR** — Now for Part One of Tonya and Nancy's Excellent Winter Adventure in Norway, the short-answer program, consisting of these required elements:

Would Tonya's dress stay on?

Was Nancy's knee okay?

Would Tonya be booted?

The answers are: yes, yes, no.

And now for the essay question:

Whaddya mean Tonya's out of it already?

She's 10th! She thought she was playing on New Year's Day, but she's going to the Poulan Weed-Eater Independence Bowl. What are you supposed to do if you have tickets for Friday night, trade them for short track? I mean, come on, 10th? A Canadian skater who fell is ahead of her. So is a German skater named Tanja. (Could the judges have confused Tanja with Tonya?) What a revolting development this is. Jeff Gillooly would have to kneecap half the field to get Tonya into medal contention.

Meanwhile, Nancy is first!

She was dead-solid perfect. And this means something, because Kerrigan was under extraordinary pressure — probably surpassing Harding's — and Kerrigan has been known to fall in important competitions. Considering the circumstances, it was the performance of Kerrigan's career.

So what are we to make of this? The Unshakable Tonya Harding goes as tight as one of those huge suits, and The Quite Flappable Nancy Kerrigan skates as smooth as a gin martini. How many millions are thinking that justice triumphed? One's first, and the other's 10th.

Yes, there are eight skaters in between, and at least three of them: Surya Bonaly, Katarina Witt and Oksana Baiul, who wore a very odd

plumage dress with a fishnet-and-leathers hat that made her look like an ostrich. I've heard of having bad-hair days, but Baiul had a bad-hair day — are more passionate and every bit as entrancing as Kerrigan. But this isn't about them.

Tonya and Nancy. This is what we came for, isn't it?

Snow White vs. Bonnie Parker.

The Sound Of Music vs. Basic Instinct.

Oh, yeah, maybe the good and evil thing isn't exactly true, since Tonya hasn't even been charged with anything, let alone convicted — but it sure does play.

Nancy and Tonya have overshadowed everything else at these Olympics, and it's just as well they've come on late in the program, so the supporting players can clear the stage as we refill the mind tank for our main wrestling event.

They have said virtually nothing since they arrived. Though what could Kerrigan say to top her anguish, "Why me?" And what could Harding say to change your mind once you heard her disingenuous declaration, "I just want to win a gold medal for my country?"

Since arriving in Norway last week, whatever small talk Tonya has made has contained the word "wonderful." She must have hired Pollyanna as her spin doctor. Norway, where she's skating now, is "wonderful," Japan, where she skated two months ago, is "wonderful." The food here, the accommodations, the entire U.S. Olympic team and every competitor from every country, the reception she received, and even the camaraderie among her fellow figure skaters is "wonderful." No one believes a word she says.

And the other one keeps her mouth shut under the advice of her agent, who realizes that, with a smile like that, there's no need for Kerrigan to open up her mouth and let any air out.

Tonya skated eighth Wednesday night, more than two hours before Nancy, who admitted she watched Tonya on TV. (When Nancy was asked what she thought of Tonya's performance, Nancy merely giggled and said, "I don't know.") The sacred moment Tonya had waited for and struggled for and campaigned for and even shed for came at 7:47 P.M., as she skated onto Olympic ice — and into a warmer reception than she'd have gotten in, say, Boston.

Tonya came out in a red sleeveless dance-hall dress and Mary Decker's makeup. She had on so much makeup, it looked like she rear-ended a Mary Kay Cadillac. I half expected her to skate over and take my drink order. After momentarily holding her hands together in prayer, she skated off to the most ironic musical choice in the competition, "Much Ado About Nothing."

The tinheads around me said she looked very tight, and, indeed, on Tonya's first jump she landed flat, on both feet. She skated the rest of the program cleanly, but somewhat raggedly. The consensus was that Tonya gave a Triple-A performance in a major-league camp. (I'll tell you this: Tonya wasn't as good as Katarina Witt, who got hoisted by the judges. I don't care if Witt's program wasn't difficult, she's got as much star quality on the ice as Wayne Gretzky. Talk about being beloved by the fans. They threw more flowers at Witt than at Don Cordeiro's funeral.)

Last week Tonya spoke passionately about how she hoped she would be judged fairly on the ice — as if she feared there might be some prejudice against her for what had happened off the ice. But this performance let the judges off the hook. Tonya got the marks she deserved.

Sitting in the kiss-and-cry area at the edge of the rink, sandwiched between her coaches who both wore enormous fur coats, Tonya watched her scores flash without betraying any anger. But shortly afterward she refused to talk to CBS, and on her way to the dressing room she was coughing so loudly you could hear it in that mall in Portland, Oregon. She said, "I'm happy with my performance," but, of course, no one believed her.

Nancy skated out in a white cocktail dress with sheer black long sleeves, an idyllic portrait of sophistication. From the moment she hit the ice the crowd was so loudly supportive, she must have felt she was back skating at her home rink. It was as if the crowd felt a duty to show Kerrigan they knew she had been a victim, and they were behind her all the way. Kerrigan skated flawlessly, and brought down the house. She set a Hamar Olympic Amphitheatre record for flowers tossed onto the ice.

High above the stands, wearing a white sweatshirt and watching through the glass window of a private box, was Tonya. When Nancy finished, the roar of the applause soared up to where Tonya was sitting, and slowly at first, then more enthusiastically, Tonya Harding began to clap.

## For Kerrigans, It's Business As Usual, On and Off the Ice

By Ira Berkow  
New York Times Service

**HAMAR** — In the crush of journalists in the Olympic Amphitheatre news media room waiting for Nancy Kerrigan to arrive for her post-skate interview, stood a middle-aged couple from Stoneham, Massachusetts.

Dan Kerrigan was holding a bouquet of flowers wrapped in plastic and tied with a red-white-and-blue ribbon. Brenda Kerrigan, who is legally blind, was holding his arm.

The smiling parents of the dark-haired, 23-year-old woman who had emerged in first place in Wednesday night's technical program suddenly became the center of an army of reporters' questions.

Were you relieved or were you excited?

"Both," said Kerrigan. "Take your choice."

How did you feel?

"I don't think it could have been better," said Mrs. Kerrigan. "But I'm not the coach."

"Me?" said Kerrigan. "I felt like I was skating."

How did she look?

"Like a picture of beauty," he said.

The nine judges were in close agreement with him.

It was a long way from New England, for them and their daughter, and it was a long way from Jan. 6, when Kerrigan was clubbed above the right knee before the national championships in Detroit.

As the world knows now, the assailant was paid to perform this vicious deed by Jeff Gillooly, the former husband of Kerrigan's chief American rival and Olympic teammate, Tonya Harding.

Mrs. Kerrigan, her blond hair short and wearing a black sport jacket with white stripes and a red turtleneck, and Kerrigan, gray-haired and in a gray-and-black ski sweater, were asked how they felt about the competition.

"There were some bad slips," she said, "but we were hoping everybody skates cleanly."

Everybody?

He made a gesture as though zipping his lip.

What about Harding?

"I'd rather not comment on her," he said.

Was there ever a time when Nancy, maybe psychologically, felt she wasn't up to skating?

"No," said Kerrigan. "I never heard that girl say she didn't want to skate."

The Kerrigans said that Nancy skates without pain despite scar tissue on the top of her knee as a result of the clubbing.

"There's just a lump there," he said. "She doesn't think about it."

They talked about how relaxed their daughter had been all day, how she and her mother went to lunch and did some shopping in Hamar, although they were interrupted often by autograph seekers, which, from the reaction of Mrs. Kerrigan, hardly seemed a deterrent to them.

"I went shopping on my own," said Kerrigan. "I bought Nancy a crystal candlestick. I always buy her something before her performance."

When Nancy entered the room, they, like everyone else, turned their attention to the interview stand.

They listened intently as Kerrigan's coach, Evi Scottvold, talked about how well Nancy had trained, how she is hardly the fragile person some have made her out to be.



Oksana Baiul left the ice after the collision, her leg bleeding and her medal chances in doubt.



Surya Bonaly: Victim of 'scandalous' marks from the judges?

## It's a Plot, France Says

Reuters

**HAMAR** — The head of the French figure skating team said on Thursday that the judging of the women's technical program was "a complete scandal."

Didier Gailhaguet said he was outraged by the high scores that the world champion, Oksana Baiul of Ukraine, received for technical merit in Wednesday's program, and the low marks given to the French skater Surya Bonaly for presentation. And he saw in a plot to redeem the fading prestige of American skating.

Gailhaguet said he could not understand some of Baiul's marks in the technical program.

"She two-footed the landing of her triple lutz. That's a 0.4 mistake. Yet she got one score of 5.8 and four of 5.7," he said.

"It was as if the judges were blind and could not see she two-footed the jump. It is incomprehensible. It was scandalous how she was marked."

Gailhaguet said Bonaly was marked too low in her second set of scores for presentation.

"Her jumps were absolutely clean and she has made great improvements in her presentation this year. I really thought she deserved much better marks."

Bonaly received one score of 5.5 and four of 5.6 from the judges. The other scores were two of 5.7 and two of 5.8.

Though he did not criticize the high marks given to the American skater Nancy Kerrigan, he said she "was almost dying when she finished and almost fell at the end."

Gailhaguet said he saw it as a plot to ensure victory for Kerrigan.

"The Americans need another big champion. Their federation has not got any more skaters," he said. "We all know the big money is in North America."

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# SPORTS WINTER OLYMPICS

## Compagnoni Powers to Giant-Slalom Gold



Deborah Compagnoni joined in the applause for her winning giant-slalom performance.

By Ian Thomson  
International Herald Tribune

**LILLEHAMMER** — The others were trying to control their skis, but Deborah Compagnoni looked like she was propelling hers, as though each was a gas pedal and she was crouching over the wheel. It was as if she was the only one in the world who could not imagine the ramifications. In fact, it is not that way anymore.

Her public was crying out for her, waving Italian flags and thumping their feet in fear as much as anything, and at the bottom she turned to greet them. Her winning time of 2:30.97 in the Olympic giant slalom was more than a second faster than the second-place finisher, but that alone does not do it for the Italians. It was a pale day, and as she removed her goggles her smile appeared whiter than the snow. In return they sighed, more loudly than a scream.

Two years after Italy first had its heart broken by Compagnoni, 23, she was setting them up again Thursday. Martina Ertl of Germany was second in 2:32.19, with Vreni Schneider of Switzerland third in 2:32.97. It was the fourth Alpine medal of Schneider's career, including two

golds and a silver, which ties the record of Hanni Wenzel of Lichtenstein. At 29, Schneider has been competing since Compagnoni was a teenager growing up in her parents' mountain hotel in Santa Caterina Valfurva, Italy, where she learned to fear nothing and a steep hill felt as certain as the sidewalk.

"We have stayed a lot of times at their hotel, four or five times during World Cup races," Schneider said. "She helped her parents everywhere. Her parents are great people. It is a great atmosphere, and you really feel at home there. Once I had the flu, and her mother helped me a lot."

On Thursday, Schneider was standing on the victory podium below the teenage girl who had served her breakfast.

The name of the hotel is Baits Fiorita — it means "Flower Hut" — and it overlooks the finish line of the World Cup races that periodically bring famous skiers to Santa Caterina. When the snow was thick enough, Compagnoni would slalom down the winding mountain road to school. One day in the hotel kitchen she placed her left hand in a meat grinder, and she was staring at the white nub of bone when

she heard her grandmother screaming. They rushed her down the mountain to the hospital. Today her index finger ends where the nail should begin. She says she never cried.

When skiing she covers the hand in a thick glove and forgets all about it. She makes Italians want to hug her, because they think she never learns. In part they blame Alberto Tomba, with whom she trained as a youth. In fact she was even more reckless than him, because in those days her priority was the downhill. In 1988, that race shredded her right knee. The first surgery failed to take. Two years later, still trying to come back, she felt terrible pains in her stomach. Her father, Giorgio, an Alpine guide who taught her to ski, rushed her down the mountain to the hospital, where doctors removed 70 centimeters of her small intestine. Had Giorgio waited 20 minutes longer, they said, the peritonitis might have killed her.

During her recovery on top of the mountain, she painted flowers in the rooms her parents let to the famous skiers. Behind her she left a trail of roses in every color. Her country was just beginning to learn this about her — their brave Tombagnoni, they called her — when she lashed down a

French mountainside in the giant slalom at the 1992 Games. The day before, she had won the Olympic Super-G, on the same day that Tomba won his giant slalom. It was Italy's greatest day, and one day later the entire country was shouting Deborah down the hill. She was going too fast. Her left knee collapsed beneath her, and her hoarse screams carried into every living room. For this, everyone still seems to feel guilty.

"It was just like a wall built up and bringing it down," said her teammate, Morena Gallizio. "It hurt the feelings of the whole team, of the whole nation. She was crying and everyone around her looked terrible. In Italy the people are really sentimental. She became much more popular from the injury than she did from winning the gold medal."

What did she think about all that time on top of the mountain?

Skiing last among the leaders on Thursday afternoon, Compagnoni had only to protect her advantage of 0.97 seconds over Ertl. She appeared to protect nothing. Near the bottom, a mogul hidden by the gray afternoon threatened to swing her off the course. It took all of her strength to regain her

balance and finish one-quarter of a second ahead of Ertl's second run.

Ten minutes later, Tomba was phoning his congratulations, just like the president. Then Italian television cameras assembled around her, and she talked of the suffering necessary to conquer the same race that undid her two years before. No one was expecting her to cry — that is supposed to come after the next unavoidable injury — but then she said: "I would like to dedicate this victory to all of the persons around me, and especially to Ulike Maier."

Compagnoni pulled a white tissue from a box and pressed it against her eyes. Maier was the Austrian skier who died in a World Cup downhill last month.

"Sometimes I think of her," Compagnoni said. "She was a fantastic athlete and a fantastic colleague. She could ski all of the disciplines. I miss her and the whole team misses her."

These pictures came into every Italian living room Thursday evening, delivered like a personal plea. She understands, she was saying with her tears, she understands exactly what she had risked.

## Japan Wins Combined, As Expected

Compiled by Our Staff From Dispatches

**LILLEHAMMER** — Japan, with a big head start from her ski-jumping triumph, easily held off Norway on the cross-country trails Thursday to defend its Nordic combined team championship.

Based on ski-jumping points earned Wednesday, Japan's three-man team started the 30-kilometer relay 5 minutes, 7 seconds ahead of Norway. They lost only 18 seconds of that margin, winning by 4:49.1.

The margin might have been greater if Japan's final skier Kenji Ogawara, the event's individual world champion, had not slowed to first pick up a small Japanese flag and then a large one from spectators along the trail.

After tucking the small flag into his jacket with one kilometer to go, Ogawara then coasted the last several hundred meters waving the large one, not using his ski poles at all. At the finish line, he jumped in jubilation.

About 30,000 spectators in the stadium — among them was Prince Mikasa, a cousin of Emperor Akihito — and tens of thousands more along the trails watched Japan win its first gold of the Lillehammer Games.

The victory was especially sweet after earlier disappointments in the Nordic combined individual event and in large-hill team ski jumping.

"This gold is the beginning of our challenge for the Nagano Olympics," said Yoshio Yagi, the team coordinator. Japan will host the Winter Games in 1998.



Pernilla Wiberg of Sweden, who won the women's Alpine combined, wasn't so lucky in the giant slalom, crashing on the first run.

Switzerland won the bronze medal, 7:48.1 behind the winners, as the top teams kept their positions from the ski jumping on Wednesday. The Estonian team was fourth.

Ogawara and Takanori Kono were both on the team that won the Nordic combined gold in 1992, giving Japan its first Winter Olympic gold medal in 20 years. Kono also

won the silver in the individual combined event here.

Kono was a big factor in Japan's head start, soaring 100 meters in one jump Wednesday — the longest jump of the individual or team combined competition. Ogawara had a jump of 96 meters.

But Kono lost more than a minute of that lead in the first leg of the relay against Norway's Knut Tore Apeland. Then Japan's No. 2 skier, Masashi Abe, pulled ahead again against Bjarte Engen Vik of Norway, the individual bronze medalist.

Ogawara then took over with a lead of 4:43 over Norway's anchor, Fred Børre Lundberg, the individual gold medalist, and expanded it slightly despite coasting at the end.

Abe was a reserve and didn't ski on Japan's 1992 gold medal team. "That big disappointment made me stronger," he said after his relay leg Thursday.

The event followed Japan's favorite pattern — run up a big lead in the jumping. In the individual competition, however, Ogawara said he had breaks with the wind spoiled his jumps. Lundberg won the jumping in the individual event, but couldn't match those jumps in the team competition.

Lundberg said he was more than satisfied with gold and silver medals from the Games.

"If anyone is dissatisfied with that then I will have to find something else to do," he said.

"They are really the kings of skiing at the moment. We have to admit it," said Avle Christian Bjørn, coach of the Norwegian team. "For us, this is a great motivation. We have to work harder. It's really exciting."



Kenji Ogawara combined skiing with flag-waving as Japan won.

## OLYMPIC NOTEBOOK

King Harald may become the first modern-day monarch to present an Olympic medal. On the condition that the winner of the men's 50-kilometer cross-country ski race Sunday is a Norwegian.

"He has said he would be willing to do that in that case," said the organizing committee's spokesman, Tor Arne. "It is not definite. It is a possibility."

There is also the first bylaw to Rule 70 of the Olympic charter, which states: "Medals shall be presented during the Olympic Games by the President of the IOC (or a member selected by him, accompanied by the President of the International Federation concerned)."

The rule was put in to avoid having the Olympics hijacked for political ends, as they were by Hitler at the 1936 Summer Games.

But, said the IOC's president, Juan Antonio Samaranch, "it was my idea. I asked the king if he would do it and he accepted."

According to weather forecasters, snow could also show up Sunday evening at the closing ceremony.

It last snowed in the region on Feb. 12, the day of the opening ceremony. There had been nothing but dazzling sunshine since, until Thursday, when the region awoke to overcast skies.

Paul Evensen, a meteorologist at Norway's weather center, said the weather would probably improve and be fine and sunny on Saturday. "But on Sunday, I'm afraid it is going to be cloudy and there is a slight risk of some snow, at least from the afternoon."

The Swiss ski team, sponsored by makers of the famous Alpine cheese Emmentaler, have overcome the Olympic ban on advertising.

Instead of using words, the Swiss sport racing suits made of cheese-yellow fabric and emblazoned with simulated cheese holes.

Nancy Kerrigan has a movie deal, Tonya Harding has a television deal, even the Jamaican bobsled team has a beer company as sponsor. Bonnie Blair has five gold medals, and soon will have her face on a Kellogg's Corn Flakes box.

The book featuring Blair will hit the shelves in mid-March — but only in her home state of Illinois, the company said. There probably aren't any ice skaters in Iowa.

Ricardo Punsalan, 21, the brother of the U.S. ice dancer Elizabeth Punsalan, has been indicted

in Elyria, Ohio, on charges of aggravated murder and murder in the stabbing death of their father.

Alexander Kozlovsky, vice president of the Russian Olympic Committee, responding to British claims, especially by the tabloid press, that Jayne Torvill and Christopher Dean were cheated out of the Olympic ice dance title: "That's our grapes."

"Torvill and Dean were wonderful innovators, but you can't stop time and I'm afraid they are no longer the best. It's perhaps hard to accept, but that's life."

A journalist who claimed he had an appointment with Kerrigan, and that came to blows with officials who stopped him from approaching her, has had his credentials withdrawn, officials said. They did not identify the journalist, but said he had been expelled from the Games.

Local residents, barred from using their cars and forced to wait hours for buses, have begun sending taxi bills to the organizers of the Games.

"The truth is that they should be taken to court, for what is at least the broken promise of the decade," the local newspaper Dagbladet said in an editorial.

On the other hand, Samaranch and other Olympic VIPs have been forsaking their chauffeur-driven cars — possibly because of the jammed streets — and taking a bus. But not a public bus.

"In many cases the best service for VIPs is to set up buses," said Osmand Ueland, a director of the organizing committee, adding: "They seem to like it."

Tom Powers, a columnist for the St. Paul Pioneer Press, offers a few handy Norwegian phrases for those attending and covering the Games. Some highlights:

Jeg vil gi deg alle sporengene mine for de tre varmerne. "I'll give you my life savings for those earmuffs."

Jeg vil gjerne ha McLaksen. "I'll take the McSalmon."

Jeg har freestart fast til utdøen, sat jeg vil nok bli litt sein. "I am frozen to the outdoor toilet, so I will be a bit late."

Det er et merkelig vesen som parer seg med folk og en vin. "That is a curious beast mating with my Volkswagen."

(WP, AP, Reuters, AFP)

## Jumpers Have the Edge, Critics of Nordic Event Say

**LILLEHAMMER** — Skiers and coaches have lashed out at the rules that made Thursday's skiing portion of the Nordic combined team event an uncompetitive farce.

Norwegian and Swiss coaches demanded changes to the regulations that have allowed the top ski jumpers to dominate the sport and turned the subsequent cross-country leg into an empty exercise.

Japan retained their Olympic team title thanks to outstanding jumping on the first day by their trio, which earned them a staggering five-minute head start over Norway and 7½ minutes start over the Swiss in the 3x10-kilometer relay.

The Japanese knew they could not be caught and admitted that they skied for fun.

Norway's jumping coach, Jan Erik Aalbu, said: "If a spectator

manages to eat five hot dogs and drink two colas before the next team starts in a relay then the event shouldn't be on the Olympic program."

"This isn't something we are saying because we're bad losers. We've said for a long time that something must be done about the team competition to save it as a separate discipline."

Switzerland's coach, Günther Chromcek, called for changes to equipment, clothing and skis to balance the contest between the jumpers and the skiers.

Changes in the sport in recent years have benefited jumpers, through better skis, aerodynamic suits and the improved V-style jumping technique.

The International Skiing Federation plans to address the issue at its congress in Rio de Janeiro this year.

## Turner Retains Title, Opponents Complain

**HAMAR** — Cathy Turner of the United States successfully defended her Olympic 500-meter short-track gold medal Thursday, drawing protests from two opponents.

Zhang Yanmei of China, who finished second, stormed off the medals stand and hurled her honorary bouquet of flowers.

Zhang pointed at Turner as soon as she crossed the finish line and motioned that Turner had knocked her off balance while passing her with two laps to go.

Earlier, the reigning short-track world champion, Nathalie Lambert of Canada, left the track in tears after falling in the quarterfinals — a fall she blamed on Turner.

"Cathy Turner turns our sport into something it's not meant to be," Lambert said. "She is brutal and the judges overlook her behavior. Turner ruined three years of training for me on Thursday evening."

Turner set an Olympic record by finishing in 45.98 seconds.

## Schönbächler and Cherjazova Get Golds in Freestyle Aerials

**LILLEHAMMER** — Andreas Schönbächler of Switzerland soared past the "Quebec Air Force" to win the men's freestyle aerials Thursday, shortly after Lina Cherjazova won Uzbekistan's first Winter Olympics gold in the women's event.

Schönbächler, ranked fourth on the World Cup behind three Quebecois — Philippe LaRoche, Nicolas Fontaine and Lloyd Langlois — outjumped them all.

His first leap — a triple flip with three twists — put him in the lead. His second jump — a more-difficult triple with four twists — rated as the best of the day with a score of 121.48 points.

His total score was 234.67, with LaRoche (228.63) getting the silver medal and Langlois (222.44) the bronze. Canada took four of the top six places, with Andrew Capick finishing fourth at 219.07 and Fontaine sixth at 210.81.

Cherjazova, the defending world champion who was fifth at Albertville two years ago when aerials was a demonstration sport, barely qualified for the final round after falling during her first jump of the preliminaries.

But she proved to be unbeatable with two triple jumps in a competition where doubles were the norm. Elise Simchen of Germany was the only other competitor who tried a triple jump.

Jumping first, Cherjazova all but ensured her victory when she nailed a back-lay full triple for a score of 92.92 points — by far the best of the day.

She faltered a bit on her second jump, a triple back-lay tuck, when she failed to hold the landing and earned just 73.92 points from the judges.

But her total of 166.84 was good enough to hold off Marie Lindgren of Sweden, who was more consistent with double jumps of 81.78 and 84.10 for 165.88 and the silver medal.

The bronze went to Norway's Hilde Synnove Lid. Her second jump scored 87.72 — the second-best of the day. She finished with a total of 164.13.

Kirstie Marshall, who led the qualifying round and was hoping to give Australia its first Winter Olympics medal, landed poorly on the final jump of the competition and dropped to sixth with 150.76.



